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FROM THE CONTENTS:—

H.K. Trade in June

Control over sterling transfers

U.S. Aid to China

Shipping Review

Indonesian Trade Reports

Lack of self-help by China

Shipping for first half year

Economic Position of China

H.K. Rubber and Confectionery Industries

HONGKONG'S TRADE FOR THE FIRST HALF YEAR OF 1948

The prosperity which Hongkong has been enjoying during the years following the end of war is eloquently reflected in the trade figures of the Colony. For the first half year of 1948 the Colony's trade exceeded even the pre-war averages (for 7 years, 1931-37) when adjusted to postwar values by 19.78%.

The boom in business has apparently come now to a turning point but only a slight recession in trade is expected. No illusions about an improvement in China should, however, be entertained but trade with Japan is bound to expand with even more speed than in the past and the Colony's enterprising merchants should secure increasing portions of Japan's exports and imports.

The importance of Hongkong in the postwar era will be enhanced by the widening of the scope of our business activities; the conception of this Colony being principally a "funnel" for international commerce with China should be abandoned. The exigencies of the political and economic situation as developed after the end of the second world war and during the progress of the civil war in China have made Hongkong into the principal entrepot of the whole Far East, from Korea to Burma.

The operation of a free exchange market and the absence of irksome trade controls, befitting a free port which Hongkong always has been, have been the felicitous pre-requisites for the present prosperity of the community.

Free Enterprise has won a battle of prestige in Hongkong.

Trade Returns

The total trade of Hongkong for the first half year of 1948 amounts to \$1,679 million, viz. \$980.9 million imports and \$698.1 million exports, exceeding the imports and exports of 1947 (6 months average) by 48.83% and 24.8% respectively; and amounting to an increase over the prewar (1931/37) six months average (when adjusted to postwar wholesale commodity prices) of imports and exports by 23.4% and 16.05% respectively.

Imports & Exports of 1947 and 1948:—

	1947		1948	
	Imports	Exports (In Thousands of HK\$)	Imports	Exports
January	105,406	102,591	140,755	113,316
February	82,557	70,993	130,243	92,236
March	113,104	95,795	170,562	115,037
April	103,545	89,635	188,888	138,312
May	124,015	99,905	176,735	133,028
June	130,474	100,472	173,787	106,118
First 6 months	659,103	559,391	980,972	698,098

The highest import figure in 1947 (first half year) was recorded in June and the highest export figure in January. In the first half year of 1948 the highest import figure was recorded in April and the highest export figure in April.

Trade figures in £ and US\$:—

For the period January to June 1948:—

	Hongkong \$	£	US\$
	— in thousands —		
Imports ..	980,972	61,310	245,243
Exports ..	698,098	43,631	174,524
Total ..	1,679,070	104,931	419,767

Import Excesses:—

The import excess in 1948 (first half year) amounts to 28.83% against 15.13% for Jan./June 1947, 31% in 1946, and 24.4% in the period 1931/37.

In Hongkong dollars the current import excess amounts to 282,874,000 while for Jan./June 1947 it amounted to 99,712,000 and for the prewar average of 7 years it amounted to 64,500,000.

Pre-war Averages:—

(six months average for the years 1931-37)

	Actual Adjusted Increase of trade in (in millions of HK\$) 1948 over adjusted prewar averages	
Imports ..	265	795
Exports ..	200½	601½
Total ..	465½	1,396½

Import excess .. 64½ 193½
or 24.4 per cent.

Trade Increase in 1948 over 1947:—

Imports 48.83%; Exports 24.8%.

Comparisons of Hongkong's Trade in 1937 with the trade figures of the first half year of 1948

(1) Imports (in per cent of the total imports)

Country	1937	Country	Jan./ June 1948
China	34.2	U.S.A.	20.5
Japan	9.4	China	18
N.E.I.	7.6	U.K.	11.43
U.K.	7.6	Siam	7.05
U.S.A.	8.4	Malaya	5.6
Indochina	6.6	Japan	4.34
Germany	5.0	Macao	3.94
Siam	3.7	Belgium	2.59
Australia	2.2	Burma	2.56
Belgium	1.6	Australia	2.28
Malaya	1.5	N.E.I.	1.86
India	1.0	British Empire,	
		other	1.86
		Sweden	1.85
		Canada	1.75
		Italy	1.71
		Switzerland	1.71
		India	1.58
		Korea	1.1
		Indochina	1.1
All others	11.2	All others	7.19
Total Bri. Empire	16.2	Total Bri. Empire	25.84

(2) Exports (in per cent of the total exports)

Country	1937	Country	Jan./ June 1948
China	42.8	China	15.6
U.S.A.	8.8	Malaya	14.87
Malaya	8.5	U.S.A.	10.77
Indochina	5.1	Siam	10.37
Japan	4.2	Macao	9.12
Macao	3.7	Philippines	8.71
Siam	3.0	U.K.	5.2
N.E.I.	3.3	N.E.I.	5.14
Philippines	2.8	Japan	2.45
India	1.1	Korea	2.1
		Indochina	1.54
		India	1.32
		Australia	1
All others	16.7	All others	11.81
Total Bri.		Total Bri.	
Empire	19.7	Empire	26.27

Trade with China

The Colony's trade with China has relatively and absolutely decreased. The role of China in Hongkong's commerce has consequently been reduced. Only 18% of Hongkong's imports were derived from China, and only 15.6% of Hongkong's exports were shipped to China.

In prewar years the respective percentages for imports and exports were:—34/36% and 40/44%.

In the first 6 months of 1947 the respective percentages were 29 for imports and 28 for exports.

	H.K. Imports	H.K. Exports
	(in percentages)	(in percentages)
Prewar average ...	34-36	40-44
Jan./June 1947 ...	29	28
" " 1948 ...	18	15.6

Against the first half year of 1947 the trade with China during the current year has shown further decreases. The decline in the China business contrasts strongly with the increase of Hongkong's trade with other countries.

(for the first six months)
(in thousands of HK\$)

	1947	1948	Decline in 1948
Imports from			
China ...	191,871	177,153	7.7%
Exports to			
China ...	156,925	109,106	30.5%

Total trade 348,796 286,259

That imports from China (Chinese exports) have decreased this year is so more remarkable in view of the propaganda carried out in China about the promotion of exports. In view of the imprudent trade policies adopted by the Chinese authorities in Nanking the deterioration as expressed in the 7.7% decline was to be expected.

Hongkong's exports to China show an alarming decline. The general worsening of conditions in China is reflected in the decrease of exports to China by 30½%.

To a certain extent the efforts of Hongkong Government to control unauthorised imports into China are responsible for the decrease.

HONGKONG TRADE DEVELOPMENTS AND
TRADE REPORT FOR JUNE

(By A Trade Analyst)

The trade figures for June 1948 show a further recession compared with the previous month, as imports dropped by \$3 m. to \$173 m., and exports by \$27 m. to \$106 m. These figures should be treated with great caution for, in some respects, trade was better than in the previous month.

For example, a seasonal drop is expected at this time of the year and would normally last throughout the summer, while the rice harvests are being gathered in surrounding countries.

Secondly, there have been exceptional imports of rice in the first half of this year as Hong Kong received its alloca-

tion for the whole year in the first few months. There was, therefore, a drop in the imports of rice amounting to no less than \$11½ m.; \$8 m. in respect of imports from Burma and \$3½ m. in imports from Siam.

On the other hand, there were large increases in the importation of cotton yarn, of which \$7 m. came from Italy and \$6 m. from Japan.

There were also large decreases in the import of iron and steel, machinery, vehicles, and raw cotton.

Trade with the Empire

Imports from the United Kingdom were up by \$2 m. of sugar, and the decrease in the imports of tobacco was offset by larger imports of cotton yarn. The decrease in exports of \$3½ m. to the United Kingdom were accounted for mostly by the completion of rubber shoe contracts.

Exports to Australia dropped by \$2 m. of dairy products and cereals, but imports were up by \$1 m.

Imports from India decreased by \$2 m. of raw cotton, and the decrease in the export of yarn to India was responsible for the drop of \$1 m.

Imports from Malaya also dropped by \$1 m., mainly rubber and cocoanut oil, and exports to Malaya fell by no less than \$6 m., sugar (2 m.), clothing (\$¾ m.), textiles and small manufactured goods (\$1 m. each), and most other exports showed slight losses.

Trade with Europe

Decrease in exchange allocations was responsible for still lower imports from Belgium which fell away by \$1 m. mainly paper, and iron and steel, while exports of vegetables oils to Belgium decreased by \$¾ m.

Exports to Germany showed some slight increase as more vegetable oils and non-ferrous base metals were sent to that country.

Otherwise trade with Europe remained fairly steady.

Trade with China

There was little change in the trade with China. Imports of textile fabrics from North China increased by \$1 m., but exports were down by \$2 m. mainly petroleum products. Imports from Middle China declined by \$1 m. as less sugar was forthcoming from Formosa. Exports to Middle China fell away by \$½ m. mainly manufactured goods. Imports from South China of vegetable oils showed a welcome rise of \$2 m. but they are still far below the figures prevailing 12 months ago.

The total import from China for the first six months of this year was \$177 m. as against \$192 m. for the first half year of 1947.

Trade with Macao

A considerable volume of Hongkong's trade has been diverted to Macao for eventual re-export to China, a consequence of the enforcement here of regulations aimed at assisting the Chinese Government in its policy of embargoing or severely restricting a large number of commodities. Thus, while Hongkong's imports from Macao this year have remained on about the 1947 level, the Colony's exports to Macao were greatly increased, viz. 173%.

Hongkong recorded for the first half year of 1947 an import excess of \$9,369,000 in its trade with Macao but in 1948 an export excess was attained amounting to \$24,987,000.

(first 6 months)
(in thousands of HK\$)

	1947	1948
Imports from Macao ...	32,667	38,681
Exports to Macao ...	23,298	63,668

Since Macao has only a small industry (mainly production of matches, firecrackers and salt fish) and a population of about 200,000 the Portuguese Colony ships to Hongkong mostly China native produce which comes to Macao from the southwestern districts of Kwangtung. Macao serves as a transshipment port for the agricultural hinterland and in the absence of the facilities of an ocean shipping port all re-exports from Macao are brought to Hongkong in river vessels and junks. Imports into Macao are also mostly for re-export to the neighbouring West River area and such re-distribution centres as Shekki, Kongmoon, Toishan.

On account of the difficulty to get cargo of Hongkong into China many shippers have used, since the beginning of this year when the Hongkong assistance to Nanking was tightened up, the round aboutway via Macao.

Although Macao is absorbing more goods imported from or via Hongkong and stocks have accumulated there as well as here because of the depression in China, an amount of \$40 million of re-exports from Hongkong via Macao into China could be taken as a conservative estimate.

Imports from Macao were up by \$3 m. mainly textiles and oil seeds, but exports to the Portuguese colony dropped by \$3 m. mainly petroleum oils, textiles and fruits.

Trade with Far Eastern countries

Both imports and exports from French Indo-China were down by \$1 m. Imports of vegetable oils and non-ferrous base metals fell away

while fewer textiles and vegetable roots were responsible for the decrease in export.

Exports of textiles to the Netherlands East Indies increased by \$2 m. but exports of textiles to the Philippines were down by \$1 m.

Although total exports to Siam decreased by \$1 m. as fewer dyes, yarn and textile fabrics were sent, nevertheless, the export of made-up textile materials was up by no less than \$4 m.

Great Drop of Trade with America

Imports from U.S.A. dropped by \$10 m. of which machinery accounted for \$3 m., paper, dyes, and fruits \$1 m. each, while there were small decreases in almost all other items except iron and steel which increased by \$1½ m. Exports to U.S.A. also dropped heavily by \$9 m. of which vegetable oils accounted for \$4 m., ores, non-ferrous base metals, manufactured articles.

HONGKONG TRADE FOR JUNE AND THE FIRST HALF YEAR 1948

Imports of merchandise into Hongkong during June, 1948 amounted to a declared value of \$173,787,329 as compared with \$130,474,333 in the month of June, 1947. The figures include Government sponsored cargoes.

Exports of merchandise totalled a declared value of \$106,118,223 as compared with \$100,472,154.

Imports during the first six months of 1948 amounted to a declared value of \$980,972,054 as compared with \$659,103,099 in the first six months of 1947.

Exports totalled \$698,098,406 as compared with \$559,391,402.

TOTAL VALUES OF IMPORTS & EXPORTS OF MERCHANDISE BY COUNTRIES

COUNTRIES	For the month of June				For the first half year			
	IMPORTS		EXPORTS		IMPORTS		EXPORTS	
	1947	1948	1947	1948	1947	1948	1947	1948
	\$	\$	\$	\$	\$	\$	\$	\$
United Kingdom	19,694,143	23,371,561	2,108,665	3,720,831	70,953,340	112,090,095	17,212,871	36,348,457
Australia	6,880,702	2,841,687	1,463,436	1,626,672	19,239,059	22,378,906	4,020,602	7,009,257
Canada	1,898,423	2,217,011	284,161	283,664	9,878,806	17,122,393	1,331,531	3,192,751
Ceylon	423,314	135,152	249,555	545,110	767,026	594,466	1,855,209	2,612,864
East Africa	—	27,442	102,249	984,570	451,198	946,743	272,828	3,633,567
India	8,306,869	3,405,277	2,120,806	1,242,934	22,483,667	15,557,955	10,981,977	9,249,506
Malaya (British) ..	7,804,011	9,127,143	21,366,346	15,711,614	45,965,503	54,885,374	117,802,760	103,804,982
New Zealand	—	6,266	277,442	60,486	—	206,296	856,838	628,245
North Borneo	963,523	827,115	384,739	320,952	2,845,661	6,184,824	2,563,751	3,265,467
South Africa	845,992	106,991	361,244	512,917	3,541,879	5,200,878	7,487,263	3,327,933
West Africa	—	—	104,320	241,148	—	—	300,498	1,608,436
West Indies	3,481	—	25,443	963,052	6,284	5,577	125,181	3,760,180
Br. Empire, Other	46,927	1,644,703	983,805	1,472,121	3,652,975	18,266,402	2,286,115	4,992,411
Belgium	4,164,902	1,968,151	738,897	262,861	18,834,613	25,381,539	4,366,283	4,968,733
Burma	4,998,828	906,346	344,628	1,188,992	5,018,150	25,168,523	2,572,888	5,491,268
China, North	1,886,262	9,480,883	2,581,425	6,109,749	25,517,160	47,685,512	16,628,164	34,357,854
" Middle	3,012,117	2,479,965	4,830,713	6,614,543	18,481,251	18,802,947	25,517,918	25,347,741
" South	20,082,892	17,849,253	22,022,226	7,924,432	147,873,164	110,665,124	114,778,927	49,400,765
Cuba	—	—	248,714	80,107	—	6,480	598,658	894,802
Central America ..	—	208,250	109,129	395,690	306,861	543,095	324,779	1,599,082
Denmark	2,250	226,408	204,505	43,032	332,423	1,370,809	680,243	399,163
Egypt	72,608	8,517	901,119	227,990	203,441	5,679,441	3,909,184	2,410,384
France	1,658,998	1,979,254	1,773,229	736,521	5,592,419	8,156,777	5,740,323	5,563,319
French Indo China ..	1,664,058	1,470,698	1,531,029	1,561,802	10,580,070	10,723,894	8,920,019	10,765,446
Germany	—	354,321	—	1,272,679	—	2,193,858	—	2,044,659
Holland	549,185	1,701,035	2,328,260	542,957	4,054,723	7,740,460	6,419,326	3,277,414
Italy	465,818	8,849,916	2,263,924	241,003	6,994,234	16,812,948	6,923,927	2,007,869
Japan	3,397,577	10,776,647	1,290,250	8,154,312	3,397,577	42,564,196	1,376,681	17,105,923
Korea	—	2,473,401	—	1,591,091	—	10,798,155	—	14,615,880
Macao	3,627,475	11,865,604	3,480,623	6,789,683	32,666,848	38,681,309	23,298,030	63,668,377
Norway	195,490	2,354,803	195,378	162,111	7,472,550	9,416,897	1,442,314	942,106
Neth. East Indies ..	1,437,747	3,617,200	2,543,297	3,550,964	4,773,495	18,244,225	11,616,058	35,897,382
Philippines	1,303,264	649,169	5,358,341	9,528,978	8,937,953	5,135,282	21,041,658	60,846,382
Portugal	12,207	129,090	2,000	—	458,002	432,431	87,976	11,980
Siam	2,385,912	6,980,381	4,904,391	11,230,658	22,803,861	69,044,172	40,724,722	72,391,897
South America	—	132,250	133,749	68,011	176,731	1,196,790	572,635	2,643,256
Spain	21,866	163,921	338,839	—	101,394	909,050	1,214,204	—
Sweden	219,200	5,319,255	1,367,885	402,912	1,793,920	18,220,029	4,585,227	1,916,127
Switzerland	819,973	3,131,625	2,325	132,061	7,250,891	16,733,114	73,857	6,431,708
U. S. A.	29,889,271	30,313,026	9,828,629	8,004,598	140,960,472	201,032,325	75,387,746	75,183,599
U. S. S. R.	—	203,680	—	—	—	431,680	4,803,462	2,735,597
Others	1,739,048	4,483,932	1,316,438	1,614,515	4,612,495	13,696,093	8,688,761	11,745,537
TOTAL	130,474,333	173,787,329	100,472,154	106,118,223	659,103,099	980,972,054	559,391,402	698,098,406
Total British Empire	51,866,213	43,710,348	30,176,839	27,685,971	184,920,071	253,439,909	169,670,315	183,434,156
Total Foreign ..	78,608,120	130,076,981	70,295,315	78,432,252	474,183,028	727,532,145	389,721,087	514,664,250

HONGKONG'S TRADE FOR THE FIRST SIX MONTHS OF 1948

TOTAL VALUES OF IMPORTS & EXPORTS BY CHAPTERS

Articles	—For the month of June—		—For the period Jan. to June 1948—		—For the month of June—		—For the period Jan. to June 1948—	
	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports
Live animals, chiefly for food	3,060,165	1,305	15,759,417	17,884	15,649,291	13,531,285	73,299,521	88,304,311
Meat and preparations thereof	326,766	482,301	1,382,458	5,186,703	437,698	271,471	2,679,613	1,673,276
Dairy products, eggs and honey	3,074,840	2,323,023	15,655,592	13,169,995	1,916,856	3,085,420	9,557,867	25,087,096
Fishery products, for food	2,877,115	1,023,399	12,336,944	8,143,592	4,860	—	95,205	88,764
Cereals	4,903,762	10,451	81,670,379	425,107	331,718	980,085	982,468	10,962,041
Manufactured products of cereals, chiefly for human food	1,696,949	1,158,947	17,797,669	9,067,163	1,840,068	7,305,840	7,531,623	18,744,263
Fruits & nuts, except oil-nuts	2,416,307	1,835,541	15,169,619	13,623,027	12,158,653	3,498,035	65,534,861	38,643,238
Vegetables, roots and tubers, chiefly used for human food and their preparations, n.e.s.	3,357,693	4,966,795	24,999,261	34,697,496	909,418	369,661	9,011,735	2,672,283
Sugar and sugar confectionery	3,214,999	817,091	24,364,937	10,082,585	864,485	579,747	4,575,478	3,733,543
Coffee, tea, cocoa and preparations thereof; spices	1,115,384	1,098,404	7,026,030	6,175,430	970,637	585,972	5,552,208	4,129,143
Beverages and vinegars	1,587,720	797,797	6,491,129	3,931,945	380,923	65,295	1,965,342	475,706
Feeding stuffs for animals, n.e.s.	10,630	34,749	144,547	218,084	400,825	172,599	1,533,980	1,164,097
Tobacco	3,130,737	823,030	19,714,440	9,873,133	633,996	651,470	9,686,855	9,684,148
Oil-seeds, nuts and kernels	4,964,996	5,210,671	12,384,590	8,559,731	3,932,032	1,681,941	29,925,202	10,745,050
Animal and vegetable oils, fats, greases and waxes and their manufactures, n.e.s.	7,611,588	6,455,721	54,253,308	65,741,182	2,108,173	1,569,778	13,890,100	13,132,831
Chemical elements & compounds; pharmaceutical products	11,301,126	4,971,154	50,403,687	25,179,280	3,442,456	4,523,914	20,392,277	33,360,731
Dyeing, tanning and colouring substances (not including crude materials)	4,661,959	3,053,027	46,058,320	19,548,740	4,315,408	322,754	24,478,717	2,956,329
Essential oils, perfumery, cosmetics, soaps & related products	962,450	701,520	6,716,659	7,130,951	2,338,542	1,105,866	10,950,229	6,232,686
Fertilizers	662,821	1,672,893	4,884,625	5,821,485	2,135,826	1,528,015	17,419,761	12,813,025
Rubber & manufactures thereof, n.e.s.	4,109,366	2,386,639	18,571,679	11,745,914	3,669,232	4,965,609	20,606,765	32,637,773
Wood, cork and manufactures thereof	3,253,717	656,196	19,800,384	3,647,134	8,722,087	5,267,040	46,205,110	39,378,054
Pulp, paper and cardboard and manufactures thereof	11,814,681	4,240,365	56,365,744	27,198,365	173,787,329	106,118,223	980,972,054	698,098,406
Hides and skins and leather	826,719	818,862	7,106,038	8,020,025	—	—	71,393	11,927,954
Manufactures of leather, not including articles of clothing	45,426	365,770	211,847	2,078,871	173,797,329	110,108,836	981,043,447	710,026,360
Furs, not made up	15,000	181,260	574,014	1,394,461	—	—	—	—
Textile materials, raw or simply prepared	3,173,407	5,268,782	12,949,689	17,457,940	—	—	—	—
Yarns and thread	22,447,822	2,700,743	65,401,131	21,343,811	—	—	—	—
Total	173,787,329	106,118,223	980,972,054	698,098,406	173,787,329	106,118,223	980,972,054	698,098,406
Gold and specie	—	—	3,990,613	71,393	—	—	3,990,613	71,393
Grand Total	173,787,329	110,108,836	981,043,447	710,026,360	173,787,329	110,108,836	981,043,447	710,026,360

EXPULSION OF EUROPEAN MERCHANTS FROM HONGKONG

The continued stay of eight European merchants has been refused by the Hongkong immigration authority and no reasons were so far given. The merchants in question are active in the import and export of merchandise but they also have engaged in importing gold into Macao. This is believed to be the reason for the official action.

In view of the importance of this step and the number of foreign companies directly or indirectly involved an official explanation is necessary.

One merchant represents 16 United States firms in the Colony, he is a director of a limited liability company incorporated under the Hongkong Companies Ordinance; another merchant whose firm's head office is in New York has been prominently connected with Far Eastern import and export business since many years prior to the war and his company is well known in all major cities of the Far East as well as in several capitals in Europe.

While the nationality of the merchants is in every case Syrian the various companies in which they hold financial and managerial interests are registered as United States, Panamanian, Hongkong etc. companies. The Syrian Government is known not to intervene on behalf of all of its

citizens abroad and it is therefore the more significant that the action of the local immigration authority has been directed against Syrians.

A number of European merchants have experienced difficulties when

seeking prolongation of their visas and much dissatisfaction with the slow working of the immigration office here has been heard in the Colony.

It is in the interest of the promotion of business in and through Hongkong that foreign merchants find every facility extended to them by the local authorities.

The first Turkish Company in Hongkong

The commercial and financial amenities of Hongkong have been explored by a number of merchants from countries which prior to the outbreak of world war II had few if any trade relations with the Far East. Among the recent arrivals of such traders was Mr. Munir Safra from Turkey who, after having investigated local conditions, was satisfied with the advantages offered in this Colony and has recently established a trading enterprise under the style of The Turkish Overseas Trading Corp. Ltd.

The local directors of the firm are Messrs Zeki Keribar and Munir Safra (the latter also being a director of the locally registered East Asia Metal Corp. Ltd.). Commerce between the Far East and Turkey which so far has been much neglected is expected to increase now and both Turkish sales to countries in the Far East and Turkish purchases from countries in this area will be routed via Hongkong.

The new Turkish trading firm is affiliated with commercial houses in Istamboul, Ankara, London, Zurich, Paris, Lisbon, New York etc. For the time being the new firm is interested in buying pottery, chinaware, enamelware and general merchandise, and selling Turkish produce and manufactured goods.

SHIPPING REVIEW

CHINA'S SHIPPING POLICY

For a century prior to the second world war the riverine and coastal traffic of China was operated on what might be called the Grand Trunk Routes mainly by foreign flag shipping which maintained a high standard of service, reliability and safety. Although Chinese Shipping interests maintained parallel services on many of these routes, these were invariably below the foreign standards. Immediately before the war the foreign country principally engaged in the operation of shipping services in Chinese waters was Great Britain.

In 1943 treaties were made with China by both America and Britain under which these countries relinquished their previous navigation rights along with the extraterritorial rights which they had previously been privileged to enjoy. This relinquishment of special navigation rights did not necessarily carry with it the inference that they would be debarred from operation in Chinese waters in the future.

Whilst admitting that in the strict theory of sovereignty rights such as those of the navigation of a river within the territory of a single state have been claimed as under the exclusive control of the territorial sovereign, the practice of the last century and a half have shown that not infrequently there has been a willingness to yield theoretical principle for the sake of actual benefits greatly needed.

The importance of freedom of navigation has been recognised in treaties for the navigation of the Mississippi and the St. Lawrence and other large rivers while the United States has frequently urged the opening of such rivers to foreign maritime commerce. In the treaty between the United States and Bolivia in 1858 it is declared that "In accordance with fixed principles of international law Bolivia regards the rivers Amazon and La Plata with their tributaries as highways or channels opened by nature for the commerce of all nations."

Exclusion of foreign shipping companies after the war

On the capitulation of Japan the foreign Companies which had hitherto operated in the area returned their tonnage to China waters at a very early date and displayed their willingness both verbally and practically to assist China in her rehabilitation problem. The Chinese Government, presumably in the interests of Chinese shipping, were adamant in their refusal to permit foreign flag ships to resume their pre-war operations despite the fact that China's own means of interport communication were practically non-existent and the facilities offered would undoubtedly have assisted very materially in their rehabilitation problem. Permission was granted for a few months in 1945/46 for ships to distribute U.N.R.R.A. supplies on

the Coast but this was an unsatisfactory short-term arrangement and was terminated by mid-summer, 1946.

Although there is a rumour that foreign ships carrying American Aid supplies may be allowed to proceed up the Yangtze River to discharge their gift cargoes, this great main artery of China is still officially closed to Ocean-going foreign ships which are thus debarred either from direct discharge of cargoes of oil or from loading cargo for overseas from China's great inland port of Hankow. This means that all the oil previously carried direct to Hankow and all the produce formerly loaded there direct into Ocean carriers has to be transhipped at very considerable expense at Shanghai.

Surely it would be of material assistance to China in developing her export trade and thereby improving her foreign exchange if this extra cost could be eliminated? Obviously the re-opening of the Yangtze River to Ocean carriers could only result in benefit to the Chinese nation as a whole and world trade in general. Equally obviously it would not prejudice in any way the issue of China's sovereignty.

Detrimental Consequences for China's Commerce

The natural desire of the Chinese Government to maintain sovereignty over Chinese waters can be readily appreciated, but in the light of the present day economic situation in China would it not have been more in the nation's interest as a whole, and in the public good of nations if this great artery and highway were thrown free to commerce subject to certain necessary safeguards if China accepted the

proffered help of the experienced foreign shipping companies and aimed at a rapid recovery of their important interport communications and trade?

In the interests of sovereignty and eventual development of China as a maritime nation a plan could easily have been devised whereby the resources and experience which served China well for practically a century could have been applied to assisting in the country's recovery and eventually over a period of years to be so reconstituted, with Chinese participation, that the principle of sovereignty would have been met.

At the same time experienced foreign assistance would, on invitation, have been forthcoming to help in the administration of legislation whereby international maritime standards could be made applicable to Chinese shipping and so raise China's mercantile marine to a standard which would defy international criticism.

Necessity for China's Change of heart

In the interval which has elapsed since the end of the war China has increased her mercantile marine prodigiously, partly by purchase of old vessels from other countries and partly by new craft from the various war disposal and 'assistance' schemes of the Allies, notably America. But the lives of these old ships are limited and many of them, it is said, have already fallen below international classification standards.

It is not too late for China to display a change of heart and without any loss of sovereignty to encourage foreign co-operation in her maritime adventure for the economic good of her great and industrious population, for whom the foreigner in China has always had the warmest regard.

* * *

SHIPPING BUSINESS IN THE FAR EAST

The depression in China has strongly influenced shipping business in the Far East and necessitated changes of policy by all shipping companies operating in this part of the world. Even the opening or partial opening of the Yangtze to foreign shipping would not, under the present disturbed conditions in China and growing insecurity in the interior, alter the position although some improvement in especially Chinese exports could be anticipated. Inward and outward freight is constantly on the decrease at all China ports and if not for the American relief supplies, as previously on account of Unrra shipments, the China run would have been hardly remunerative at all. Passenger traffic between China and abroad has been brisk in the past but the outlook for the current year is unfavourable.

Hongkong's shipping business has been enjoying prosperous times since the end of war but during recent weeks a recession was noticed which

might be aggravated in the near future.

The seasonal decline in the carrying of freight and passengers has been felt more this year than previously.

The increasing trade restrictions practised in China and ever more embargoes coupled with a failure in China to promote exports in fact and not only in words, has brought about a decline in freight business which is estimated at 50% compared to the first half year of 1947. At the same time travellers and migrants have fallen off sharply; while, for instance, one local shipping agency had about 1,000 passengers going to Shanghai every month last year, the current monthly average is under 500.

Much worse are the comparisons for the Hongkong-Canton passenger traffic; with the slump in purchasing power of the Chinese people and the increasing trade controls, enforced with more severity by the Hongkong authorities on behalf of the seemingly impotent Chinese authorities, the number of so-

called travelling traders has declined by 70 to 80% this year against 1947.

As the trade statistics show so clearly, the commercial relations between China and Hongkong have reached an all-time low, and it is therefore only to be expected that shipping business with China is today a shadow of what it was.

Chinese Emigrants

A landbusiness was done during the first 18 to 20 months after the termination of hostilities in the Far East by many shipping companies when transporting hundreds of thousands of Chinese emigrants to their new homes, mostly in Siam. Human cargo—rightly called so because of the often inhuman conditions under which rapacious shipowners hauled Swatow emigrants into Bangkok—is no longer a profitable business as a consequence of the immigration quotas and other restrictions imposed in all Far Eastern countries on Chinese. Burma, Malaya, Siam, the Philippines have felt the impact of postwar Chinese emigration which has been accentuated with the advent of the civil war in China and the subsequent deterioration in every field of national life. The unrest in Indochina and the Netherlands Indies has excluded these two areas from the postwar stream of Chinese emigration. Until recently there were still going every month about 1,000 people from Swatow and Amoy to Siam but now the monthly figure is down to 600. The flare-up of violence in Malaya will for a considerable time to come preclude any large-scale immigration of Chinese into Singapore and the Malayan Union.

Passengers and Tourist Traffic

The resumption of tourist travel in the Far East is now slowly coming into its own but it will be Japan primarily which stands to benefit from this important source of invisible exports, and it remains questionable whether many tourists will also care to give other countries in this area the once over.

Passenger business of the large shipping firms depends largely on the expansion of tourist traffic. While, however, all shipping companies have made great efforts to accommodate in comfort and even luxury growing numbers of passengers and while travel propaganda is again trying to lure the people who can afford to spend some time and money on visits of foreign countries, most governments are still living mentally under war conditions and are anxiously watching all arriving tourists lest they prove to be spies.

Difficulties are created, here as elsewhere, to make the stay of foreigners less pleasant and to get them out in the shortest possible time. Under such conditions and prevailing attitude vis-à-vis the tourist traffic it is small wonder that few visitors from overseas can be induced to come out to an inhospitable Far East beset with scowling officials.

The passenger business of shipping companies cannot therefore be regarded as very promising. Many people look on travelling in these years of

peace as a bother and will only go if urgent reasons compel them.

Far Eastern Runs

As ships on the China run had to be largely redeployed and the logical transfer was found to be in other Far Eastern waters, the number of ships, sailing on schedule or being tramps, has considerably increased particularly between Malaya and Hongkong; from Penang via Straits, Indonesia, Borneo, Siam, Indochina to Hongkong sea communications have been in excess of actual requirements.

On most runs available tonnage could not be fully utilised but the remarkable expansion of trade between Hongkong and the countries in the Far East—with the sole exception of China—has netted most shipping companies substantial profits.

Runs are always changed according to the improvement or deterioration of freight offerings in a particular country but on this point the shipping managers do not like to say anything lest the competition comes in earlier than it inevitably will in the end. On the whole inward and outward freight between Hongkong and the principal ports in the Far East remains a paying proposition as long as the number of ships and amount of tonnage are kept within the necessary limits.

Every addition to the strength of the present combined merchant fleet in Far Eastern waters must encroach upon the existing tonnage and competition will lower freight charges to the shippers (by allowing increasing rebates and discounts) and eventually lead to the elimination of the economically redundant merchant men.

Macao Run

The Macao run is one case in point; since the slump in trade with Canton has caused the reduction in tonnage employed on the Pearl River run, many of the ships, built only for use on rivers or along the coast, have been transferred to the Macao run. Although trade with Macao has improved this year compared with 1947, the tonnage available is in excess of requirements. Cut-throat competition ensued and tariffs are non-existent.

Some efforts were made to employ the redundant tonnage on other runs but business proved disappointing. Ships going to Haiphong, in Indochina, could not cover their expenses and had to be taken off this run. South China coastal traffic as to Pak-hoi, Hoihow, Tsamkong (Kwangchowwan), Kongmoon etc. remains in the doldrums which is partly due to the increasing activities of the Communist forces in South China and the inability of the Chinese authorities in Canton to guarantee safe ocean communications along the Kwangtung coast.

As from the beginning of next month a new ship will be added to the already heavy schedules of the Macao run; it is obvious that the tonnage of cargo and the number of passengers cannot, for the time being, undergo a change for the better and therefore the new addition will only

mean the elimination of less competitive and well-equipped ships already on the Macao run.

Japan and Korea Runs

The gradual return of Japan into world commerce has progressed during recent months with such tempo as to encourage hopes for continued prosperity in the Far East. Business with Japan is on the up and up.

Shipping companies have reaped substantial profits from the Japan run and the outlook for even better business is favourable. Indeed, but for the Japan run many shipping companies' prospects could not be regarded as encouraging. As it is, however, the increasing volume of trade with Japan is compensating for the slump in China and has made it possible to divert profitably some tonnage which no longer can be utilised on the China run.

The present bonanza in ocean shipping of Japan will not last for very long as the Japanese Government will put into service an increasing amount of tonnage; it is Washington's and SCAP's policy to assist the Japanese people in building and acquiring an adequate tonnage for carrying most of its trade in its own bottoms. In the past and for some time to come Japanese exports and imports have been and will be transported in foreign ships.

The Korea run has equally proved a profitable business although the amount of exports and imports has been much smaller than Japan's. The prospects for a further expansion of trade and therefore shipping business with Korea are most favourable.

Korea's exports and imports will be carried in foreign ships as there is as yet no sign for the start of a Korean shipbuilding industry and the foreign exchange resources of Korea do not permit of purchases of American, British or other ships.

Trans-Pacific Runs

The summer season is always "dead" but this year inward freight (Hongkong imports from America) has been very slow as a consequence of the heavy over-stocking of American commodities and the difficulties encountered when selling or trying to sell them to China. High costs of American goods, aggravated by the expensive unofficial exchange rate on the local market, further reduce import orders and thus cargo space booked in the U.S. for shipment to Hongkong and China is on the decline since several months. Particular drops in inward freight were registered in dyestuffs, industrial chemicals, tobacco, lubricants, while the import of machinery, fertiliser and textiles has not been impaired. Trans-Pacific freight business as far as the China coast is concerned is largely depending on the delivery of American gifts and relief supplies to the Chinese.

Outward freight is also low and on the downgrade, another proof of the failure of China's "export drive."

There are about 25 ships, coming from North American ports, who call every month on Hongkong and they

load on the average 5,000 tons (200 tons per ship average). Business should be improving as from August when more cargo for export to the U.S. may come down to Hongkong.

A new trans-Pacific freight tariff has come into force as from the 10th of this month; rates were upped from 10-15%.

Passenger traffic between America and China remains on a fairly good level but less than in 1947. The transportation of Chinese in the U.S. and other countries of America to China where they visit their ancestral places after which they return forms one of the principal sources of income for shipping companies in the trans-Pacific run.

* * *

LOCAL SHIPPING DEVELOPMENTS

A volume might well be dedicated to the recovery of Shipping activity in Hongkong and a chapter devoted to the significant interest and enterprise evinced by Chinese investors in shipping today. Quite a number of vessels nodding at their anchors in the harbour of Hongkong have been released and have been taken under their own steam or been compassionately towed to Shanghai by seagoing tugs during the past year, and signs are not wanting that other vessels of various carrying capacity will shortly be transferred. Of course, there always remains the definite clause that a few of the venerable transports are only to be disposed of on condition that they are to be dismembered.

The remarkable fact is revealed that there are in this Colony today no less than sixty companies, corporations, or firms closely identified with shipping enterprise, and that revelation lends assurance as to what extent development may reach during the next few years.

"Figures make no feast" but they are convincing truths when presented to mark retardation or progress.

Last year 51,425 vessels visited Hongkong with an aggregate tonnage of 18,990,465 net tons, showing an increase over 1946 of 5,941 vessels amounting to 7,746,154 tons.

Increasing Chinese Business

The prosperity of Hongkong depends to a very large extent upon the progress which is made by industrial and democratic China. Emergence is sure. Initiative can not be cauterised for all time. The world moves onward and upward.

One is forced to remark on the huge purchases recently made by Chinese firms and corporations in the United States and Canada to anticipate the urgent demands of shipping accommodation in the not too distant future.

Links are again being forged with nationals in the South Seas, so that the products of enterprising Chinese manufacturers may once again be delivered unhindered and unharassed to

patrons who craved the goods made by their own people.

Huge sums have lately been invested in vessels by the Chinese in Hong Kong as well as in Shanghai, and unquestionably fortunes are available here when schemes fructify. Enterprise is by no means dull, dead, or dismal. It is asserted in the scheme of things operating many of the river steamers, and it luxuriates in the regular runs of vessels trading to the south. Chinese investors in Hongkong are particularly alert to possibilities and probabilities and are prepared to give a hostage to fortune.

Rehabilitation of Hongkong Harbour

Sincere congratulations must be extended to the authorities at the Marine Department, as well as the naval experts in Hongkong, who have so loyally co-operated during the past years in salvaging a number of sunken vessels in the harbour. It was no mean task set for men who were, for some time, denied powerful apparatus to cope with the undertaking, but what has already been achieved—and the end is in sight—reflects the greatest credit upon all concerned. Before the close of this year it is confidently hoped that the last of the wrecks will have been successfully removed, and a glorious land-locked harbour of which the British might well be proud will have been restored and rehabilitated, offering shelter, safety and security to visiting vessels from the seven seas.

Although the confession has been wrung from resident and visitor that Hongkong "is today one of the most expensive places in the world to live in," thousands every month seek shelter in this Alsatis of the Orient.

Hongkong remains Hongkong, a harbour beautiful and commodious, offering attraction to the eager visitor and trade facilities to the argosies of the rejuvenated nations. "Where Nature in all her virgin prime, Wantons in all her works sublime."

Improving Sea Communications

New vessels of the most modern type are being constructed in England to meet urgent demands, and signs are not wanting that next year facilities will be greatly amplified for the development of trade between Australia and the Colony as well as provide increased accommodation for passengers. Today it is common knowledge that passenger transportation is not readily available. Patrons have to pause for months before cabins are available. This is being remedied. Enterprise is by no means dead.

Probable Construction of Whampoa Harbour

The administrative authorities in Canton are awake to future developments. The early creation of a port worthy of the Capital of Kwangtung has been envisioned, and it appears quite probable that millions of U.S. dollars may be expended in the actual translation of Chinese ideas into stern American facts. The deepening of the

river approaches to Canton is an indication of the enterprise of men blessed with vision, and if this can be accomplished during the coming years development will be monumental. Progress and prosperity must move as if they were in seven league boots, for the mainland will quicken to the touch of modernity and this Colony will rejoice in the resurgence of vitalising vigour.

* * *

EAST ASIATIC COMPANY

Before the War this leading Danish Company's fleet consisted of 25 ships. Half the ships were lost during the war, but all of them have now been replaced, and the number of vessels and total tonnage is now approximately the same as before the war. The general performance of the fleet, however, is lower, as those ships which were left after the war, and make up about half of the fleet, have already seen a great deal of service. One addition has been made this year, the M.S. Morelia, a sister ship of M.S. Malaya completed last year, having a dead weight of 10,300 tons. One more ship of about the same tonnage is expected to make its maiden voyage in early November.

Two East Asiatic lines touch at Hongkong:—Europe/Far East and Pacific Coast/Far East, with an average of 1 ship per month. Passenger traffic is negligible as the ships only carry a maximum of 12 cabin passengers. Incoming freight traffic far exceeds that outgoing. These vessels resumed to call at Japanese ports since the end of last year.

The Company has 4 new ships on order, 1 of which will make its maiden voyage in November, 1 is expected to be delivered in the course of 1948.

The East Asiatic Company's Fleet, as at December 31st, 1947.

Name	Year built	Tons Gross	Tons Reg.	D.W.
M.S. "Annam" ..	1913	6,636	10,075	
M.S. "Fionia" ...	1914	5,202	6,820	
M.S. "Asia"	1919	7,014	10,800	
M.S. "Java"	1921	8,684	13,160	
M.S. "Lalandia" ..	1927	4,913	7,480	
M.S. "Meonia" ...	1927	5,267	7,300	
M.S. "India"	1930	9,549	13,550	
M.S. "Erria"	1932	8,786	8,500	
M.S. "Jutlandia" ..	1934	8,457	7,950	
M.S. "Selandia" ...	1938	8,482	8,400	
M.S. "Korea"	1939	9,945	12,350	
S.S. "St. Croix" ...	1942	7,177	10,740	
M.S. "Bintang" ..	1943	2,259	3,051	
S.S. "St. Jan"	1943	7,176	10,930	
S.S. "St. Thomas" ..	1944	7,192	10,900	
S.S. "Serampore" ..	1945	7,748	10,680	
S.S. "Nikobar" ...	1945	7,715	10,580	
S.S. "Tranquebar" ..	1945	7,715	10,690	
M.S. "Malacca" ...	1945	8,414	10,200	
M.S. "Mongolia" ...	1945	8,365	10,200	
M.S. "Manchuria" ..	1945	8,371	10,200	
M.S. "Falstria" ...	1945	6,993	8,300	
M.S. "Kambodia" ..	1947	10,460	12,400	
M.S. "Malaya" ...	1947	8,437	10,300	

Total 180,957 235,556

HONGKONG'S SHIPPING FOR THE FIRST HALF YEAR OF 1948

The shipping statistics of Hongkong for the first six months of this year reflect the progress made in the rehabilitation of the Colony's commerce. Increases are noted in every field as against the year 1947. The expansion in shipping business during the current year has been impressive.

Tonnage of Shipping (ocean going and river), entered and cleared, for the first half year:—

Ocean going:	entered	3,956,430
	cleared	3,962,954
Total		7,919,384
River:	entered	643,958
	cleared	645,421
Total		1,289,379
Grand total		9,208,763

Passengers entered and cleared on ocean and river ships:—

Ocean ships:	entered	138,789
	left	119,671
Total		258,460
River steamers:	entered	221,994
	left	212,847
Total		434,841
Grand total		693,301

Comparisons with Prewar and 1947

Against the prewar average the 1948 shipping returns are 30 to 35% lower; ocean and river shipping have decreased, on the average, about 40%

but the traffic of junks and launches in foreign trade has considerably increased over the prewar average.

Total tonnage in January/June 1948:
ocean and river 9,208,763
junks & launches 1,332,042

(in foreign trade) . . . 10,541,805
monthly average: . . . 1,756,967½ tons

Tonnage in 1947 and first half year 1948:

Against 1947 shipping returns the figures for the current year have advanced by 14¼% or an increase in tonnage (ocean and river) handled per average month of 197,382.

		1948	1947
		first ½ year	—monthly averages—
Tonnage	entered	768,062½	667,988
"	cleared	766,731.3	669,424
"	total	1,534,794	1,337,412

For detailed figures of 1947 vide our issue of January 21, 1948.

The 1948 monthly average for ocean tonnage entered and cleared: 1,319,897.3.

The 1948 monthly average for river tonnage entered and cleared: 214,896½.

Passengers in 1947 and first half year 1948:

Total passengers (ocean and river) entered and left the Colony in 1947: 1,178,619 (arrived 610,611, departed 568,008), a monthly average of 98,218.

During January/June 1948 a total of 693,301 passengers entered and left Hongkong (360,783 entered, 332,518 departed), a monthly average of 115,550.

Per average month the increase this year in ocean and river passenger traffic was 17,332 or 17.65%.

Commercial Cargo

The month to month position for this year and the year 1947 will be seen from the table. During the current year 9.77% more commercial cargo has been handled here (of ocean and river ships) than in 1947.

Nationality of Ships

Ocean going shipping:—

The flags represented in the Colony's shipping were those of Britain, the U.S., the Netherlands, Norway, China, Denmark, Panama, the Philippines, Sweden, France, the USSR, Egypt, Portugal, Greece and Korea—in that order.

Percentages of flags in the Colony's ocean going shipping for January/June 1948:—

Britain	36.77	Denmark	4.27
U.S.A.	23.52	Panama	3.03
Holland	11.46	Philippines	1.87
Norway	7.96	Sweden	1.64
China	6.95	France	1.23

All other flags accounted for less than 1% each.

European shipping except British and Soviet amounted to 26¼ per cent, i.e. being in second place after the Union Jack.

River shipping:—

Almost all river ships sail under the British flag which accounted for 79½% for the first half year 1948. Chinese ships accounted for 19¾%. There were a few French and Portuguese river ships which together accounted for the rest (¾%).

COMMERCIAL CARGOES

(OCEAN STEAMERS)

YEAR—1947				YEAR—1948.			
MONTH	DISCHARGED	LOADED	TOTAL	MONTH	DISCHARGED	LOADED	TOTAL
January	190,450	83,357	273,807	January	180,544	86,534	267,078
February	184,771	54,857	239,628	February	202,807	76,542	279,349
March	249,662	77,219	326,881	March	241,574	81,980	323,554
April	166,681	70,573	237,254	April	224,985	68,215	293,200
May	226,876	75,561	302,431	May	220,097	97,378	317,475
June	161,393	65,529	226,922	June	189,681	93,571	283,252
July	203,281	61,953	265,234	July	—	—	—
August	177,964	62,307	240,271	August	—	—	—
September	143,527	73,849	217,376	September	—	—	—
October	194,688	74,289	268,977	October	—	—	—
November	192,578	83,570	276,148	November	—	—	—
December	158,760	69,498	228,258	December	—	—	—
TOTAL	2,250,625	852,562	3,103,187		1,259,688	504,220	1,763,908
MONTHLY AVERAGES	187,552	71,047	258,599		209,948	84,036	293,984

COMPARISON BETWEEN THE FIRST HALF YEARS 1947 AND 1948
OF COMMERCIAL CARGOES (DISCHARGED & LOADED) OF TONNAGES & PERCENTAGE

MONTH	1947 Tonnage	1948 Tonnage	DECREASE Tonnage	INCREASE Tonnage	DECREASE %	INCREASE %
January	273,807	267,078	6,729	—	2.52	—
February	239,628	279,349	—	39,721	—	14.21
March	326,881	323,554	3,327	—	1.03	—
April	237,254	293,200	—	55,946	—	19.08
May	302,922	317,475	—	15,044	—	4.74
June	226,922	283,252	—	56,330	—	19.90
	1,606,923	1,763,908	10,056	167,041	—	—

The increase in tonnage of commercial cargo (excluding H.M. Forces and Hongkong Government stores) handled in Hongkong during the first six months of 1948 against the same period of 1947 amounts to 9.77 per cent.

JUNKS AND LAUNCHES IN FOREIGN TRAFFIC

During the first half year of 1948 the Hongkong registered and licensed junks and launches in foreign traffic loaded 44,131½ tons of commercial cargo and discharged 177,801¼ tons in the port of the Colony.

The total tonnage of junks and launches, all under 60 tons, which plied between Hongkong and Macao

and South China river ports aggregated for the period January to June 1,332,042 tons, viz. 657,945 tons shipping arrived and 674,097 tons departed.

Following are the monthly figures for the tonnage of vessels and the tonnage of cargo of junks and launches for January through June 1948:—

ARRIVALS		
	Tonnage of Vessels	
	Launches	Junks
January	5,132	117,447
February	4,163	85,351
March	4,826	117,421
April	4,903	109,268
May	3,732	103,048
June	3,406	99,248
Total	26,162	631,783
	Tonnage of Cargo	
January	149½	37,426
February	38	25,008
March	142½	31,994
April	162½	29,165
May	278	26,963
June	65½	26,410
Total	835½	176,966

DEPARTURES		
	Tonnage of Vessels	
	Launches	Junks
January	5,493	117,862
February	3,694	87,947
March	4,676	121,495
April	4,555	115,489
May	3,506	99,938
June	3,717	105,725
Total	25,641	648,456
	Tonnage of Cargo	
January	428	11,206
February	421	10,531
March	402	6,797
April	140½	4,937
May	336	4,691
June	157	4,085
Total	1,884½	42,247

SHIPPING IN JUNE

The recession in trade which the Colony is at present experiencing was reflected in the shipping statistics for the month of June. In ships' tonnage, passengers carried and commercial cargo loaded and discharged certain declines were registered as against May. Comparing, however, June figures with the returns for the earlier months of this year the results of the last month are superior. The month of May, as far as ocean shipping and commercial cargo were concerned, constituted the record month of 1948 and thus also the record for post-war Hongkong's shipping.

Ocean and River Ships' Tonnage in June:—

	June	May
total ocean ships	1,402,168	1,515,922
total river ships	208,120	222,629
	1,610,288	1,738,551

Passengers arrived and departed in June: 102,700 against 126,030 in May. Total arrivals and departures in June by river steamers 67,668, and by ocean ships 35,032.

SHIPPING REPORT FOR THE PERIOD JANUARY TO JUNE 1948

ARRIVALS

FLAG.	Ocean Steamers.		River Steamers		TOTAL		CARGO		PASSENGERS	
	No.	Tonnage.	No.	Tonnage	No.	Tonnage.	River Steamers.	River Steamers.	Ocean Steamers	Total.
British	584	1,457,058	1,022	513,037	1,606	1,970,095	30,287	175,928	67,319	243,247
American	182	932,373	—	—	182	932,373	—	—	9,545	9,545
Chinese	180	275,560	660	127,539	840	403,099	21,107	36,832	8,125	44,957
Danish	47	169,152	—	—	47	169,152	—	—	7,004	7,004
Dutch	90	454,176	—	—	90	454,176	—	—	27,385	27,385
Egyptian	2	10,058	—	—	2	10,058	—	—	235	235
French	14	48,752	4	1,140	18	49,892	40	—	1,827	1,827
Greek	1	4,364	—	—	1	4,364	—	—	—	—
Korean	1	852	—	—	1	852	—	—	1	1
Norwegian	142	315,674	—	—	142	315,674	—	—	16,836	16,836
Panamanian	42	120,160	—	—	42	120,160	—	—	40	40
Philippine	32	74,356	—	—	32	74,356	—	—	259	259
Portuguese	12	9,005	13	3,705	25	12,710	1,775	87	174	261
U.S.S.R.	8	26,230	—	—	8	26,230	—	—	—	—
Swedish	22	65,184	—	—	22	65,184	—	—	39	39
TOTAL FOREIGN	755	2,505,896	677	132,384	1,432	2,638,280	22,922	36,919	71,470	108,389
TOTAL	1,359	3,962,954	1,699	645,421	3,058	4,608,375	53,189	212,847	138,789	351,636

DEPARTURES

FLAG.	Ocean Steamers.		River Steamers		TOTAL		CARGO		PASSENGERS	
	No.	Tonnage.	No.	Tonnage	No.	Tonnage.	River Steamers.	River Steamers.	Ocean Steamers.	Total.
British	589	1,476,655	1,020	511,189	1,609	1,987,844	22,902	191,115	51,355	242,470
American	180	937,200	—	—	180	937,200	—	—	10,471	10,471
Chinese	178	277,913	664	127,924	824	405,837	26,171	30,801	8,051	38,852
Danish	47	169,150	—	—	47	169,150	—	—	6,590	6,590
Dutch	85	432,176	—	—	85	432,176	—	—	24,479	24,479
Egyptian	2	432,176	—	—	2	10,058	—	—	516	516
French	13	48,482	4	1,140	17	49,622	40	—	1,548	1,548
Greek	1	4,364	—	—	1	4,364	—	—	—	—
Korean	1	852	—	—	1	852	—	—	10	10
Norwegian	143	314,599	—	—	143	314,599	—	—	16,055	16,055
Panamanian	41	117,681	—	—	41	117,681	—	—	124	124
Philippine	34	76,561	—	—	34	76,561	—	—	269	269
Portuguese	12	9,005	13	3,705	25	12,710	883	78	155	233
U.S.S.R.	7	19,555	—	—	7	19,555	—	—	—	—
Swedish	21	62,179	—	—	21	62,179	—	—	48	48
TOTAL FOREIGN	765	2,479,775	681	132,769	1,446	2,612,544	27,094	30,879	68,316	99,195
TOTAL	1,354	3,956,430	1,701	643,958	3,055	4,600,388	49,996	221,994	119,671	341,665

Commercial Cargo:—(in tons)
(Excluding H.M. Forces and Hongkong Govt stores)

	June	May
DISCHARGED:	ocean 189,681	220,097
	river 8,784	10,335
	total 198,465	230,432
LOADED:	ocean 93,571	97,378
	river 7,311	9,708
	Total 100,882	107,086

Bunker Coal & Oil:— (in tons)		
	Coal	Oil
Ocean ships	8,037	14,391
River ships	2,043	1,188
Total	10,080	15,579

An increasing number of ships is fuelling now with oil and more ships are being converted from coal to oil burning.

In our issue of June 16, the Shipping Report for May 1948 was published.

Foreign Trade conducted by Junks and Launches.

(under 60 tons).
As with ocean going and river ships there were also decreases recorded in the junk traffic for June. Total tonnage of cargo, inward and outward, in June was 30,717½ again 32,268 in May. The number of passengers who arrived in June by junks and launches was 1,081 (against 1,725 in May), and those who left the Colony was 4,677 (against 5,132 in May).

Junks and Launches Traffic Figures for June:—

Tonnage of CARGO		Inward	Outward
Junks	26,410	4,085	
Launches	65½	157	
Total	26,475½	4,242	

Tonnage of VESSELS

Junks	99,248	105,725
Launches	3,406	3,717
Total	102,654	109,442

During June a total of 444 junks were licensed by the Hongkong Marine Department. Of this number 12 were motor junks.

During June a total of 39 launches and motor boats were licensed.

The junks and launches are plying between the Colony and nearby South China ports and the Portuguese Colony of Macao. As trade has been somewhat lax the amount of cargo exported and imported has receded. The slight decline is seasonal and higher figures for goods carried by junks and launches in the Hongkong-Macao-South China river ports traffic are expected as from September.

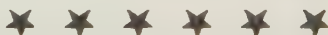
SHIPPING REPORT FOR THE MONTH OF JUNE

ARRIVALS

FLAG.	Ocean Steamers		River Steamers		TOTAL		CARGO	PASSENGERS	
	No.	Tonnage.	No.	Tonnage.	No.	Tonnage.	River Steamers.	River Steamers.	Ocean Steamers.
British	95	230,378	179	82,905	274	313,182	6,181	26,099	7,779
American	27	144,679	—	—	27	144,679	—	—	1,188
Chinese	35	61,044	118	22,886	153	83,930	2,603	8,607	854
Danish	9	32,141	—	—	9	32,141	—	—	879
Dutch	17	81,789	—	—	17	81,789	—	—	4,504
French	3	16,625	—	—	3	16,625	—	—	766
Norwegian	25	64,041	—	—	26	64,041	—	—	2,013
Panamanian	8	31,388	—	—	8	31,388	—	—	12
Philippine	6	16,223	—	—	6	16,223	—	—	98
Portuguese	2	811	—	—	2	811	—	—	16
U.S.S.R.	2	3,564	—	—	2	3,564	—	—	—
Swedish	3	7,827	—	—	3	7,827	—	—	6
TOTAL FOREIGN	137	460,132	118	22,886	255	483,018	2,603	8,607	10,336
TOTAL	232	690,510	297	105,690	529	796,200	8,784	34,706	18,115

DEPARTURES

FLAG.	Ocean Steamers.		River Steamers		TOTAL		CARGO	PASSENGERS	
	No.	Tonnage.	No.	Tonnage.	No.	Tonnage.	River Steamers.	River Steamers.	Ocean Steamers.
British	100	252,969	174	79,545	274	332,514	4,099	27,291	6,929
American	28	144,055	—	—	28	144,055	—	—	1,393
Chinese	35	55,460	118	22,885	153	78,345	3,212	5,671	924
Danish	10	37,584	—	—	10	37,584	—	—	811
Dutch	12	64,736	—	—	12	64,736	—	—	3,597
French	3	16,625	—	—	3	16,625	—	—	474
Korean	1	852	—	—	1	852	—	—	10
Norwegian	25	64,207	—	—	25	64,207	—	—	2,602
Panamanian	13	44,160	—	—	13	44,160	—	—	24
Portuguese	3	1,294	—	—	3	1,294	—	—	36
U.S.S.R.	2	5,982	—	—	2	5,982	—	—	—
Swedish	3	7,511	—	—	3	7,511	—	—	6
Philippine	6	16,223	—	—	6	16,223	—	—	111
TOTAL FOREIGN	141	458,689	118	22,885	259	481,574	3,212	5,671	9,988
TOTAL	241	711,658	292	102,430	533	814,088	7,311	32,962	16,917



SHIPPING REPORT FOR THE FIRST QUARTER, JANUARY TO MARCH, 1948

ARRIVALS

FLAG.	Ocean Steamers.		River Steamers		TOTAL		CARGO	PASSENGERS	
	No.	Tonnage.	No.	Tonnage.	No.	Tonnage.	River Steamers.	River Steamers.	Ocean Steamers.
British	298	739,780	463	236,962	761	976,742	12,539	83,729	35,357
American	87	444,227	—	—	87	444,227	—	—	4,516
Chinese	74	122,998	335	63,755	409	186,753	12,317	17,100	5,001
Danish	21	72,178	—	—	21	72,178	—	—	2,616
Dutch	38	196,156	—	—	38	196,156	—	—	12,929
Egyptian	1	5,029	—	—	1	5,029	—	—	129
French	6	17,028	4	1,140	10	18,168	40	—	425
Greek	1	4,364	—	—	1	4,364	—	—	—
Norwegian	68	140,502	—	—	68	140,502	—	—	8,863
Panamanian	17	48,391	—	—	17	48,391	—	—	27
Philippine	18	42,276	—	—	18	42,276	—	—	138
Portuguese	5	2,415	13	3,705	18	6,120	1,775	87	57
U.S.S.R.	4	15,113	—	—	4	15,113	—	—	—
Swedish	9	27,441	—	—	9	27,441	—	—	17
TOTAL FOREIGN	349	1,138,118	352	68,600	701	1,206,718	14,132	17,187	34,718
TOTAL	647	1,877,898	815	305,562	1,462	2,183,460	26,671	100,916	70,075

DEPARTURES

FLAG.	Ocean Steamers.		River Steamers		TOTAL		CARGO	PASSENGERS		
	No.	Tonnage.	No.	Tonnage	No.	Tonnage.	River Steamers.	River Steamers.	Ocean Steamers.	Total.
British	300	753,934	464	238,088	764	992,022	10,386	89,135	24,765	113,900
American	87	450,454	—	—	87	450,454	—	—	4,371	4,371
Chinese	69	113,032	339	63,971	408	177,003	12,096	16,730	4,624	21,354
Danish	21	72,178	—	—	21	72,178	—	—	3,162	3,162
Dutch	37	188,763	—	—	37	188,763	—	—	11,253	11,253
Egyptian	1	5,029	—	—	1	5,029	—	—	110	110
French	6	17,028	4	1,140	10	18,168	40	—	445	445
Greek	1	4,364	—	—	1	4,364	—	—	—	—
Norwegian	69	140,133	—	—	69	140,133	—	—	7,749	7,749
Panamanian	18	50,123	—	—	18	50,123	—	—	64	64
Philippine	16	35,444	—	—	16	35,444	—	—	98	98
Portuguese	5	2,415	13	3,705	18	6,120	883	78	43	121
U.S.S.R.	3	6,194	—	—	3	6,194	—	—	—	—
Swedish	9	26,467	—	—	9	26,467	—	—	17	17
TOTAL FOREIGN	342	1,111,624	356	68,816	698	1,180,440	13,019	16,808	31,936	48,744
TOTAL	642	1,865,558	820	306,904	1,462	2,172,462	23,405	105,943	56,701	162,644



SHIPPING REPORT FOR THE SECOND QUARTER, APRIL TO JUNE, 1948

ARRIVALS

FLAG.	Ocean Steamers.		River Steamers		TOTAL		CARGO	PASSENGERS		
	No.	Tonnage.	No.	Tonnage	No.	Tonnage.	River Steamers.	River Steamers.	Ocean Steamers.	Total.
British	286	717,278	559	276,075	845	993,353	17,728	92,199	31,962	124,161
American	95	488,146	—	—	95	488,146	—	—	5,029	5,029
Chinese	106	152,562	325	63,784	431	216,346	8,790	19,732	3,124	22,856
Danish	26	96,974	—	—	26	96,974	—	—	4,388	4,388
Dutch	52	258,020	—	—	52	258,020	—	—	14,456	14,456
Egyptian	1	5,029	—	—	1	5,029	—	—	106	106
French	8	31,724	—	—	8	31,724	—	—	1,402	1,402
Korean	1	852	—	—	1	852	—	—	1	1
Norwegian	74	175,172	—	—	74	175,172	—	—	7,973	7,973
Panamanian	25	71,769	—	—	25	71,769	—	—	13	13
Philippine	14	32,080	—	—	14	32,080	—	—	121	121
Portuguese	7	6,590	—	—	7	6,590	—	—	117	117
U.S.S.R.	4	11,117	—	—	4	11,117	—	—	—	—
Swedish	13	37,743	—	—	13	37,743	—	—	22	22
TOTAL FOREIGN	426	1,367,778	325	63,784	751	1,431,562	8,790	19,732	36,751	56,484
TOTAL	712	2,085,056	884	339,859	1,596	2,424,915	26,518	111,931	68,714	180,645

DEPARTURES

FLAG.	Ocean Steamers.		River Steamers		TOTAL		CARGO	PASSENGERS		
	No.	Tonnage.	No.	Tonnage	No.	Tonnage.	River Steamers.	River Steamers.	Ocean Steamers.	Total.
British	289	722,721	556	273,101	845	995,822	12,516	101,980	26,590	128,570
American	93	486,746	—	—	93	486,746	—	—	6,100	6,100
Chinese	109	164,881	325	63,953	434	228,834	14,075	14,071	3,427	17,498
Danish	26	96,972	—	—	26	96,972	—	—	3,428	3,428
Dutch	48	243,413	—	—	48	243,413	—	—	13,226	13,226
Egyptian	1	5,029	—	—	1	5,029	—	—	406	406
French	7	31,454	—	—	7	31,454	—	—	1,103	1,103
Korean	1	852	—	—	1	852	—	—	10	10
Norwegian	74	174,466	—	—	74	174,466	—	—	8,306	8,306
Panamanian	23	67,558	—	—	23	67,558	—	—	60	60
Philippine	18	41,117	—	—	18	41,117	—	—	171	171
Portuguese	7	6,590	—	—	7	6,590	—	—	112	112
U.S.S.R.	4	13,361	—	—	4	13,361	—	—	—	—
Swedish	12	35,712	—	—	12	35,712	—	—	31	31
TOTAL FOREIGN	423	1,368,151	325	63,953	748	1,432,104	14,075	14,071	36,380	50,451
TOTAL	712	2,090,872	881	337,054	1,593	2,427,526	26,591	116,051	62,970	179,021

SHIPPING FREIGHT CONFERENCES IN THE HONGKONG AREA

There are eleven Shipping Freight Conferences in Hongkong:—

1.—*Far Eastern Freight Conference* (Secretaries: Messrs Mackinnon, Mackenzie & Co.), for destinations in Europe, Black Sea ports, and Mediterranean ports of Africa. The 13 participating shipping lines are the following:—

American President Lines; Ben Line Steamers; Chargeurs Reunis; China Mutual Steam Navigation Co.; East Asiatic Co.; Ellerman & Bucknall Steamship Co.; Glen Line; Holland Oost Azie Lijn; Compagnie des Messageries Maritimes; Ocean Steam Ship Co.; P. & O. Steam Navigation Co.; Swedish East Asiatic Co. of Gothenburg; and Wilhelm Wilhelmsen.

(New reprints of the tariff of the Far Eastern Freight Conference are now available in two sections; one for direct shipment and the other for transshipment, at cost price of \$20 each from the Secretaries).

2.—*Trans-Pacific Freight Conference* (Secretaries: Mr F. C. Booth), for destinations San Francisco, Long Beach and Los Angeles, California; Vancouver and Victoria, British Columbia; Seattle and Tacoma, Washington; Portland, Oregon; Honolulu, Hawaii; and overland points in Canada, the U.S. via above mentioned ports. The following 18 shipping companies are participating carriers:—

American Mail Line; American President Lines; Barber Wilhelmsen Line; Canadian Pacific Steamships; East Asiatic Co.; Ivaran Lines; Isthmian Steamship Co.; Klaveness Line; Maersk Line; Madrigal Line; Pacific Far East Line; Pacific Orient Express Line; Pacific Transport Line; Prince Line; Salen-Skaugen Line; Stan Line; De La Rama Lines; Western Canada Steamships.

3.—*Hongkong — Philippines Freight Conference* (Secretaries: Mr. F. C. Booth), for the destination of Manila. The following 23 shipping companies are participating carriers:—

American Mail Line; American Pioneer Line; American President Lines; Australia China Line; Bank Line; Canadian Pacific SS; De La Rama SS Co; Everett SS Co; East Asiatic Co; Holland Oost Azie Lijn; Indo China S.N. Co; Ivaran Line; Maersk Line; Pacific Far East Line; Pacific Orient Express Line; Pacific Transport Line; Prince Line; Royal Inter-ocean Lines; Salen-Skaugen Line; Silver Line; Stan Line; Waterman SS Co; Wilhelm Wilhelmsen.

4.—*Hongkong — Panama Freight Conference* (Secretaries: Mr. F. C. Booth), for the destination Panama. Participating nine carriers are:—

American Pioneer Line; American Mail Line; American President Lines; Barber Wilhelmsen Line; De La Rama Line; Maersk Line; Prince Line; Pacific Far East Line; Salen-Skaugen Line.

5.—*Hongkong-Caribbean Sea Ports Freight Conference* (Secretaries: Mr. F. C. Booth) for destinations of Caribbean sea ports. The following 11 shipping companies participate:—

American Pioneer Line; American President Line; Barber Wilhelmsen Line; Bank Line; Blue Funnel Line; Canadian Pacific S.S. Co.; De La Rama Line; Silver Line; Klaveness Line; Maersk Line; Prince Line.

6.—*Hongkong Australian Freight Conference* (Secretaries: Messrs Mackinnon, Mackenzie & Co.), for destinations of Australian ports. The following four lines participate:—

Eastern & Australian S.S. Co.; Australia China Line; Australia Oriental Line; Burns, Philip & Co.

7.—*New York Freight Conference* (Secretaries: Messrs Lowe, Bingham & Mathews), for destinations of American Atlantic and Gulf ports, via Suez Canal or Panama Canal or Cape of Good Hope. The following 18 shipping lines are participating:—

American & Manchurian Line; Isthmian Steamship Co.; American Pioneer Line; Ivaran Lines Far East Service; American President Lines; Lykes Bros Steamship Co.; Bank Line; Maersk Line; Barber Wilhelmsen Line; Prince Line; Blue Funnel Line; Salen-Skaugen Line; Fern Line; Silver Line; De La Rama Lines; States Marine Corporation; Castle Line; Waterman Steamship Corp.

8.—*Hongkong-Rangoon Freight Conference* (Secretaries: Messrs. Jardine-Matheson & Co. Ltd.), for destination of Rangoon. The following four lines participate:—

British India S.N. Co.; China Siam Line; Ho Hong Steamship Co.; Indo China S.N. Co.

9.—*Hongkong-Straits Freight Conference*

10.—*Hongkong - Calcutta Freight Conference*

For both Conferences Messrs Jardine, Matheson & Co. Ltd. are Secretaries.

11.—*Japan Co-ordinating Committee* (Secretaries: Messrs Jardine, Matheson & Co. Ltd.).

HO HONG STEAMSHIP CO. (1932) LTD.

The Ho Hong Steamship Co. (1932) Ltd. with its registered Head Office at Singapore will have a new addition to their Amoy-Swallow-Hongkong-Singapore-Penang-Rangoon line. Before the war they had three ships running on this line, but just after the war the S.S. Hong Peng was sold and the S.S. Hong Kheng was grounded and gutted by fire on July 19 last year. Only the S.S. Hong Siang remains.

The new vessel which is now being built in England has a tonnage of 5,000 (deadweight) and a speed of 17½ knots. Accommodation will include 24 saloon cabins, 88 first class cabins, a third class capacity of 500 passengers and a deck space for 1,000 passengers. In addition to general cargo the new ship will be able to carry perishable goods and refrigerated cargo.

Business on this line came mainly from passenger traffic after the war when there was a huge immigration into Malaya and Siam, but this has been reduced by stricter immigration regulations and quotas. Recently business was well maintained by the volume of cargo from Swatow (foods and vegetable) and Hongkong (500 to 1000 tons per trip).

* * * *

DIRECTOR OF MARINE'S STATION AT TAI PO KAU

As from the 1st August, 1948, an office for the licensing and the reporting of arrival and departures of junks, etc. will be in operation at Tai Po Kau.

This office is situated at the entrance to the Railway Pier, at the Tai Po Kau Railway Station.

All vessels trading between the Port of Tai Po and other places within the Waters of the Colony or places in China must report their arrival and departure at this office giving full particulars of all cargo carried, etc.

BUNKER COAL & BUNKER OIL for the first half year, 1948.

Flag	Ocean Steamers.		River Steamers.		Total.	
	Bunker Coal	Bunker Oil	Bunker Coal	Bunker Oil	Bunker Coal	Bunker Oil
	Tons	Tons	Tons	Tons	Tons	Tons
British	35,484	39,396½	13,356	7,206	48,840	46,602½
American	480	3,584	—	—	480	3,584
Chinese	1,941	16,467½	—	3,734	1,941	20,201½
Danish	1,000	2,370	—	—	1,000	2,370
Dutch	400	751	—	—	400	751
French	20	4,183	—	—	20	4,183
Greek	—	1,600	—	—	—	1,600
Korean	—	400	—	—	—	400
Norwegian	10,347	3,211	—	—	10,347	3,211
Panamanian	2,025	9,128	—	—	2,025	9,128
Philippine	—	3,508	—	—	—	3,508
Portuguese	820	200	—	367	820	567
U.S.S.R.	350	800	—	—	350	800
Swedish	—	750	—	—	—	750
TOTAL FOREIGN	17,383	46,952½	—	4,101	17,383	51,053½
TOTAL	52,867	86,349	13,356	11,307	66,223	97,656

EXCHANGE & FINANCIAL MARKETS

Institution of Control over Monetary Transactions between Hongkong and the United Kingdom

The Financial Secretary of Hongkong Government issued a notice, on July 20, to the local banks authorised to deal in foreign exchange to the effect that monetary transactions between Hongkong and the United Kingdom are no longer free but require, in every case, the approval of the Hongkong Exchange Control.

Banks are, however, permitted to make or receive payments freely provided the amount of any one transaction does not exceed £500 or its equivalent in other sterling currencies.

Furthermore, banks can pass inward and outward sterling remittances without requiring the approval of Hongkong Exchange Control in the following four cases:—(1) bona fide imports and exports; (2) insurance premiums, claims and refunds; (3) travelling expenses; (4) dividends and interest payments.

The official explanation for the institution of the new control is:

"These restrictions have been imposed to prevent the use of the local free US\$ market for the purchase of cheap sterling and for capital flights of sterling to the USA."

At the same time the Financial Secretary assured the community that "the Government has no intention of restricting bona fide transactions between Hongkong and Great Britain."

Background of the Control over sterling remittances

During the period following the failure of free convertibility of sterling of last August, anxiety arose everywhere as to the stability of sterling, and the possibility of sterling devaluation was generally discussed; unofficial sterling quotations dropped and there was some pronounced flight of capital from the U.K. to America, Switzerland and other countries where comparatively stable currencies existed. At that time all free, unofficial and black exchange markets were utilised for such transfers from sterling to US\$ in particular.

As, however, the British export drive showed increasingly favourable results and the international balance of payments of the U.K. as well as the internal fiscal position of the British Government improved, confidence in the stability of sterling returned slowly; the passing of the generous American "European Recovery Program" further tended to consolidate the position of sterling, until during recent weeks the firmness of the unofficial or convertible sterling rate on all exchange markets was established beyond doubt. The current trend of unofficial sterling points towards further improvement.

In the virtually free foreign exchange market of Hongkong the strength or weakness of sterling was always reflected; as foreign exchange markets abroad quoted a higher or lower unofficial sterling/dollar cross-rate, the local market followed suit, sometimes influencing rates elsewhere but usually adjusting itself, by means of arbitrage, to the levels in the principal exchange markets of Europe and America.

During the critical months when sterling devaluation problems were seriously discussed the potential danger of the free exchange market of Hongkong was recognised in London and it was then contemplated to combat the further weakening of sterling in the unofficial market by imposing, although within the sterling area, a control over transfers between Hongkong and London.

The control measures were thoroughly ventilated and when it eventually came to action the danger to sterling had, fortunately, passed. Nevertheless the sterling transfer control between Hongkong and the United Kingdom has now come into force and may remain with us for some time.

Effects of Control

The official explanation, as quoted above, is not conveying a correct picture of the present situation; sterling is no longer "cheap" here, in fact it is much more expensive than in other free exchange markets.

This situation has been taken advantage of by arbitrage operators who transferred sterling from the U.K. or any other part of the sterling area to Hongkong where it was converted into US\$ which were remitted to free or unofficial exchange markets in Europe for reversion into sterling; since the local sterling/dollar crossrate was, on the average, 5 to 15% higher than crossrates quoted in principal European markets arbitrageurs could thus secure unusual profits.

That the unofficial crossrate in Hongkong has been, with few exceptions only, higher than in New York, Zurich, Antwerp, Amsterdam, Paris etc. shows that the local market was always supplied more than adequately with US\$; only the occasional excess demand by gold importers for TT New York has upset this position.

Arbitrage operations will now prove much more difficult as the inward remittance of sterling has been put under control.

With regard to the second reason stated by the Financial Secretary here viz. that the restrictions were imposed to prevent capital flights of sterling to the USA, it is safe to say that no such movements were noticed here, at least for many months past. It is, however, possible that United Kingdom residents wish from time to time to acquire foreign currencies in larger amounts for the purpose of travelling etc. on the Continent and that they have learned of the better price for sterling which is obtainable here compared to European markets.

The control over sterling transfers between Hongkong and the U.K. will influence the local unofficial US\$ market to a certain extent; demand for TT New York should decrease and the local crossrate further advance over unofficial crossrates elsewhere. A lower price of US\$ in terms of HK\$ may stimulate more orders for American commodities and for goods from hard currency countries.

* * * *

BUSINESS IN US\$

The announcement of the Hongkong Exchange Control of July 20th which put under control sterling remittances caused a flurry in the local unofficial exchange markets affecting TT New York transactions. Since it will be from now on practically impossible to transfer larger amounts from London to Hongkong for non-commercial purposes, arbitrage transactions are bound to be eliminated. In the past a considerable portion of the locally accruing open funds in New York was taken up by arbitrageurs who utilized the difference in the sterling/dollar crossrates as quoted in European markets and in the official market of Hongkong; since there was usually a much better price available for sterling in Hongkong than in European markets—the difference amounting to 8 to 15% on the average—considerable business was transacted in Hongkong by arbitrageurs.

As a consequence of the new sterling transfer control the local turnover in last week's TT New York was strongly reduced compared to previous weeks. Sales in the unofficial market aggregated last week (in US\$): TT New York 926,000; Drafts 417,000; Notes 246,000.

Highest and lowest rates were: Notes HK\$552.542; Drafts 540-530; TT 542-534 (or US\$18.45 to 18.72 per HK\$ 100 amounting to a discount of the official rate of 25 to 26%).

Highest and lowest crossrates were: US\$2.95 to 3. Compared with crossrates in Europe the local rates were 3 to 4% higher thus narrowing the arbitrage profit margin.

As in the previous week demand from Shanghai for notes was strong which caused high rates exceeding TT by 2 to 2½%, an unusual phenomenon.

Merchant demand was practically absent and gold importers were also inconspicuous; as new gold orders are difficult if not impossible to place at the moment and backlogs are not arriving in larger volume during the last two weeks the demand for TT New York from gold importers and their clients (native banks and bullion dealers) has been falling off.

On the other hand, there has been plenty of offering of overseas Chinese family remittances in the market in spite of a weak tendency.

With arbitrage transactions cut out unofficial quotations are likely to show pronounced weakness. Only a resumption of heavier imports from the US and more active gold sales to China could inject firmness into the rate but judging by the present per-

torinance of the commercial and gold markets there appears to be no hope for an improvement and the local crossrate should show a marked difference with crossrates of Paris, Zurich, Amsterdam, etc.

GOLD TRANSACTIONS

On account of the anxiety engendered by the developments in Berlin and the exaggerated newspaper reports playing up the tension between the Western Allies and the USSR, a stronger activity was caused in the local gold market where war-scared investors started to hedge against possible currency devaluations. After the price had been successfully driven up to \$343 reaction set in and the shrewd bullion holders unloaded, making clean profits for which they had been waiting for many weeks.

Most speculators here realise that there is not a ghost of a chance of a new war breaking out but the apprehensions of the general public are sedulously fanned until some sort of panic is created which makes investors abandon reasonable calculations and rush into gold, buying at rates which are far in excess of free gold market quotations. Even China markets were lower than Hongkong which fact alone shows the local buyers up as immature.

The highest and lowest prices here last week were (in HK\$ per tael) 343—327½ equalling cross rates per oz of US\$ 52½ and 51.

Compared with these grossly inflated prices are free gold market quotations, fob European ports, at around US\$ 44½ to 45, while Shanghai quoted last week only around US\$ 47. (Highest Shanghai gold price per oz. US\$ 51, lowest 46½).

It is true that gold offerings abroad are insignificant and prices demanded by the few obliging sellers as high as never since the end of war. The reason for this dearth is, of course, the continued war scare which tends to increase demand and thus to withhold larger offerings. When the calm of a diplomatic settlement of the Berlin issue will have smothered all premature war talk the bullion brokers in Europe and New York will come out with their wares and prices should then drop again to a level of 43.

The local investor must always consider that any purchase of gold made at a price higher than US\$ 49 per oz.,

considering always the extra charges and the squeeze connected with the importation of gold into Macao and thence into Hongkong, is risky and not justified. Those who bought last week at US\$ 52 and higher have shown financial imprudence.

Local stocks are ample to supply the China market for several months to come provided that the off-take is not increasing. From all accounts it appears almost certain that during the next month there will not be any change for the better and that prices in Shanghai and elsewhere in China will continue depressed.

Gold transactions in the local market last week, in taels:—spot inside the Exchange 22,200, outside the Exchange 27,900; forward market, for delivery 258,970, and for margin clearing 814,980 (the latter amount establishing a record for transactions in this particular business).

Imports into Macao were small but exports to China were even less.

Considerable forward purchases during the first part of the week were made by the two native banks of Hang Seng and Cheung On (both having many European contacts and clients) and as any moves made by them are interpreted by the smaller banks and gold dealers as indicating the market tendency such purchases lead to increasing demand with subsequent high prices.

The Shanghai gold market opened the week (in CN\$ millions) at 410, reached 420, but a recession set in which brought the price down to 320 at the close of the session. There was very little official action observed in Shanghai and market proceedings were left rather much undisturbed. As again tight money was felt in Shanghai and the speculation in gold has declined investment purchases have been few and far between.

SILVER BUSINESS

Arrivals were heavy particularly from Canton (mostly ingots) and smaller lots from Macao, Swatow, Shanghai and Taiwan. Dealers reduced their rates but still could not attract much export business. Sales in the native market last week: 141,600 taels, sold around \$3.96 to 4 per tael; \$9,000 worth of silver dollars, and \$109,000 worth of subsidiary coins.

BANK NOTE MARKETS

Piastres had good but mostly speculative buyers and the rate at one time came up to \$12.10. Transactions comprised (in millions of piastres): spot inside the Exchange 7.06, outside market 5.54; and in the forward market 5.78.

Pound notes had a better turnover but prices remain low compared to overseas markets; while £1. sold here last week between US\$ 2.65 to 2.67 the New York free market quoted US\$ 2.92/95 and the trend was bullish. Hongkong quoted about 10% less than New York.

CHINESE MONEY MARKET

There was the usual rallying of the rates for Chinese money after a prolonged crash, but the market does not entertain any illusion about the further depreciation of CN\$.

As from this issue we are quoting Chinese dollars (notes and remittances) per One Hundred Million; thus CN\$ 100,000,000 were quoted last week for TT Shanghai at HK\$ 86 to 114.

Local sales last week amounted to (in billions of CN\$):—TT Shanghai 46,180; TT Canton 18,900; spot notes 3,090; forward notes 1,298. During the four weeks sales of CN\$ in the local market aggregated:

TT Shanghai	137.1	trillions
TT Canton	58.1	trillions
spot notes	13.8	trillions
forward notes	5.9	trillions

In Shanghai the foreign currency black market opened the week at CN\$ 8.1 million and 1¼ million for US and HK notes respectively. The highest rates were recorded at CN\$ 8.2 m. and 1.4 m. while at the close the rates stood at 6.8 m. and 1.2 m. for US and HK notes respectively. The quotation for US\$ was 8 to 10% higher in Shanghai than in Hongkong. The HK\$ cross rate in the North moved between 5.70 to 5.90 (against about 5.40 in the Colony).

In Canton the HK note came, for the first time, over one million CN\$ on 19th July: it reached the record price of 1,150,000 but closed at 810,000.

Significant for the financial chaos in Shanghai are the fluctuations in the monthly interest rates: last week recorded about 90% for commercial loans and over 100% for advances on the Shanghai Stock Exchange.

HONGKONG UNOFFICIAL EXCHANGE RATES (IN HK\$)

			CN\$ (per One Hundred Million)		Forward		S'hai Canton		Notes	US\$ (per 100)		Guilder	Baht	Pound
Gold per Tael			Spot	Spot	High	Low	T.T.	T.T.		Draft	T.T.			
July	High	Low	High	Low	High	Low	T.T.	T.T.	Notes	Draft	T.T.	I.C.\$		Note
19	331	328	115	105	99	85	74½	95	545	537	540	11.8	45.3	25½ 14.4
20	343	330	135	112½	92¾	85	87	91	546	533	535	11.9	45.1	25¼ 14.3
21	342¾	336¼	140	130	95	87½	81¾	86½	550	537	540	12.1	44.6	25½ 14.3
22	363½	332	135	128½	88¼	84¾	80¾	87	549	549	541	11.9	44.5	25½ 14.3
23	335¼	328	125	113	87½	86	83	98	550	537	540	11.8	44.4	25.6 14.3
24	329	327½	125	120	89½	88½	99½	114	546	535	538	11.8	44.2	25.4 14.3

HONGKONG STOCK & SHARE MARKET

For the greater part of the week, July 19 to July 23, a dull weak market prevailed. During the first three days operators stayed on the sidelines with sellers predominating. Prices, as a consequence, sagged on very small volume, and the daily averages hit a new low of 143.09 on Wednesday. Thereafter, as European press dispatches showed a calmer tone, less sellers were in evidence and prices showed a tendency to harden. Part of earlier losses were regained to show a steadier tone at the close, with a paucity of offerings.

Total sales reported amounted to 41,693 shares of an approximate value of \$1½ millions, or about one half of that of the previous week.

There was no news marketwise during the week. The dominant factor was the Berlin situation, which news correspondents apparently overplayed and thus created a war psychosis. Later reports showed that there was less cause for alarm, and that the problem can and, evidently, will be solved through diplomatic channels. Should this feeling increase it is believed share prices will recover in a short while all they lost in the past two weeks.

Price Index

The Felix Ellis price index of twelve representative active local stocks declined to a new low of 143.09, but recovered .25 to close at 143.34 for a net loss of 1.37 compared with the close of the previous week. Prior to this set-back the previous low for the year was 143.56 on April 16. Day-by-day his averages were: July 19, 144.22; July 20, 143.53; July 21, 143.09; July 22, 143.22; July 23, 143.34.

The High and Low for 1947 were 155.82 and 123.88 respectively. The High for 1948 was 148.68 on February 12, while the low was 143.09 on July 21.

Business Done

BANKS: H.K. BANKS @ 1990, 2000, 1985; BANK OF EAST ASIA @ 140½.

INSURANCES: UNIONS @ 760, 755.

SHIPPING: U. Waterboats @ 37. DOCKS & GODOWNS: H. K. DOCKS @ 31, 29½; CHINA PROVIDENTS @ 22¾.

HOTELS & LANDS: H.K. LANDS @ 81, 80½, 81, 80½; SHAI LANDS @ 4.80; HUMPHREYS @ 22½.

UTILITIES: H.K. TRAMS @ 23, 22½, 23; CHINA LIGHTS Old @ 23½, 23, 23¼, 23½, 23.70, 23.80 23¾; H.K. ELECTRICS @ 45, 44½, 44; TELEPHONES @ 42½, 42, 41.

INDUSTRIALS: CEMENTS @ 43½, 43, 42½, 42¼, 42½; DAIRY FARMS Old @ 50 and New @ 48, 47, and 48; WATSONS Old @ 61, 60, 59½, 60½, 61, 62; New @ 58½, 58.

STORES: SINCERES @ 7.60; SUN CO. @ 4¼.

COTTONS: EWOS @ 16.

THE BRITISH FOREIGN PAYMENT POSITION

The United Kingdom Balance of Payments

	(£ millions)	
	1938	1947
Total payments for imports	835	1,574
Receipts from exports & re-exports	533	1,125
Balance of trade in goods	-302	-449
Income from overseas investments, shipping, banking services etc. . .	405	305
Payments of interest abroad, shipping, tourists etc.	157	320
Net Government expenditure overseas	16	211
Balance of "invisible" items	+232	-226
Total balance of overseas payments	-70	-675

Although the U.K. exported in 1947 a quantity of goods 8% greater and imported 25% less than in 1938, the adverse balance of trade in goods actually rose from £302 million to £449 million. This was because in this period import prices rose faster than export prices. In April 1948 import

prices were 183% above 1938 and export prices only 15% above. The balance of invisible items was converted from a credit to an almost equally large debit as a result of loss of income from overseas investments, loss of ships in the war and a big increase in military and relief expenditure overseas.

The Terms of Trade

The terms of trade—the relation of import prices to export prices—have continued to move unfavourably to Britain in the first four months of 1948, but in spite of this Britain has managed to reduce the adverse balance of trade.

In the first four months of 1948 import prices have risen by 7½%; export prices by only 3%. The quantity of exports has however risen from an index figure of 118 in the last quarter of 1947 (1938 being 100) to 126 in the first quarter of 1948, 132 in April and 134 in May, while the quantity of imports has increased relatively less, the latest import figures being 80 for the first quarter of 1948 compared with 77 for the fourth quarter of 1947 (again 1938 being 100).

The balance of trade in goods has been as follows:—

	U.K. Balance of Trade (£ million)					
	Last 4 months of 1947			First 4 months of 1948		
	Im-ports	Ex-ports	Bal-ance	Im-ports	Ex-ports	Bal-ance
Western Hemisphere	229	69	-160	187	80	-107
Sterling Area	175	211	+ 36	226	244	+ 18
Rest of World	146	153	+ 7	194	176	- 18
Total	550	433	-117	607	500	-107

In 1947 the proportion of freight and insurance was as high as 15%, so that the adverse balance estimated for the first four months in the table at £107 millions may be on the high side. £107 millions in four months is equivalent to £321 millions a year. If the trade figures for May are included after deducting a similar 10% from May imports the five months adverse balance is running at the equivalent of £306 millions a year.

The present rate of trade deficit for Britain can safely be put at around £302 millions in 1938. Therefore, although this year the U.K. are exporting a quantity of goods about 30% greater and importing 20% less than in 1938 the British have almost exactly the same deficit on the trade in goods a striking illustration of the relative change in import and export prices to Britain's disadvantage.

INDONESIAN TRADE REPORTS

Import-returns for May 1948.

Imports of merchandise into Indonesia during May were 166,000 tons valued at fl. 78,000,000 as compared with 106,000 tons during April valued at fl. 64,500,000.

The imports during May comprised the following items:—

	in thousands of kilos.	in thousands of guilders
Cotton & art silk textiles	1,483	12,292
Cotton yarns	164	811
Machinery & instruments	2,663	6,429
Iron & steel and manufactures thereof	4,024	2,340
Motor-cars, trucks and spare-parts	835	1,953
Vessels	765	1,079
Fuels	80,489	6,688
Rice	17,072	8,160
Flour	8,856	3,954
Milk	2,233	2,034
Vegetable & fruits: fresh, dried and preserved ...	1,052	1,331
Jams	307	288
Sugar & Confectionery	250	339
Fish (dried, etc.)	1,111	1,336
Butter & Cheese	109	288
Spirits	51	85
Tobacco, cigars & cigarettes	472	1,360
Fertilizers	1,126	334
Tyres for motor-cars & cycles	389	1,319
Perfumes	160	176
Miscellaneous	42,483	25,309
Total	166,099	77,905

Principal suppliers were: (in thousands of Netherlands guilders):—

The Netherlands	21,349	Sweden	1,122
U.S.A.	20,075	Canada	947
Japan	7,229	Belgium & Luxemburg ...	943
United Kingdom	4,566	Hongkong	828
Burma	4,551	China	660
Thailand	3,252	India & Pakistan	318
Singapore/Malaya	2,510	Norway	246
Italy	1,694	Denmark	136
Australia	1,391	Others	6,088

It is important to note that during April and May exports exceeded the imports:—(in millions of guilders:—

Exports: Imports: Export-excess:

April	fl. 71	fl. 64	fl. 7
May	" 87	" 73	" 9

It is the first time since the liberation that the balance of trade is favourable. Although it is not sure that these favourable results will be achieved in the following months, the above figures are an indication that the economic situation in Indonesia is developing favourably.

PETROLEUM PRODUCTION IN INDONESIA

In the Netherlands Indies, where petroleum output before the war was nearly 8,000,000 tons annually, last year's production was only in the neighbourhood of 1,120,000 tons. Even this meagre result compares favourably with the 1946 output of 302,000 tons, as is shown in the table below:—

N.E.I. CRUDE OIL PRODUCTION (Thousand tons)

	1947	1946	1940
Sumatra	504	—	5,209
Borneo	566	289	1,793
Java	50	13	839
Ceram	—	—	93
Total	1,120	302	7,934

In the last few months recovery progress has been particularly marked. Monthly output in January 1948 amounted to 275,000 tons, and according to the latest available information it has now reached a level equivalent to an annual rate of 4,500,000 tons or over half the pre-war scale of production. As has been estimated in the Annual Report of the Royal Dutch, the Japanese during their occupation, viz., from early 1942 until the summer of 1945, had succeeded in producing some 6,970,000 tons from the oilfields of the Group.

The most important development accounting for the recent acceleration of progress is the resumption of operations in South Palembang, in Sumatra, following the military advances of last summer. At the same time, production has increased in the

Tarakan and Balikpapan fields of Borneo and in the Sourabaya district of Java, in all of which operations started in the course of 1946. The first post-war well in the Tanjoeng field was completed towards the end of last year though the production is being closed in until the projected pipeline to Balikpapan is completed. Most of the remaining fields, on the other hand, remain inaccessible to their normal operators, especially those in Sumatra, in Central and North Palembang and in Pangkalan Brandan, as well as the fields surrounding Ijepoe in Java. It is expected that work on Boenjoie will be resumed in the course of this year.

As to refining, the plants at Balikpapan in Borneo and at Wonokromo/Bendoel in East Java, which were reopened in the summer of 1946, have remained in regular operation since, and the two large refineries, in the Palembang district, at Pladjoe and Soenjel Gerong, resumed activities last year, in February and October respectively. Output at Pladjoe passed the pre-war rate of 195,000 tons per month by last November, though the two Sumatra plants have had to rely mainly on imported crudes until South Palembang came into production. The remaining refineries are still inaccessible and that at Pangkalan Brandan is believed to have been largely burnt down last August.

Total refinery output in the Netherlands East Indies, according to preliminary figures, was 1,543,000 tons last year, compared with 6,304,000 tons in 1940. The 1947 yield includes 359,000 tons of gasoline, 207,000 tons of kerosine, 966,000 tons of fuel and Diesel oil, and 11,000 tons of asphalt. Exports, which were very modest until recently have recovered during the last few months, amounting to 768,000 tons in the March quarter, 1948.

BRITISH DIESEL ELECTRIC SHUNTERS IN MALAYA

Three diesel electric shunters, specially designed to suit climatic conditions in Malaya, left England for Malaya at the end of June. These shunters are part of a quota of twenty 350 horsepower diesel electric shunting locomotives manufactured by the English Electric Company. The first five were shipped to Malaya last month and the rest will follow shortly.

The locomotives follow the general practice which the English Electric Company has found to be successful in operation under the arduous conditions of the shunting yards of Great Britain. The total weight is 47 tons. The locomotive is of the 060 type and the track gauge for Malayan railways is of the metre width. The maximum safe speed is 30 miles per hour.

Precautions have been taken to ensure that the engines will give satisfactory service in the dusty, tropical atmospheres prevalent in the Malayan Union.

THE PRESENT ECONOMIC POSITION IN CHINA

(Condensed from a Report by American Business men in Shanghai)

It is virtually impossible to view the present situation in China, or the handling of it by the authorities, with any degree of optimism. It has been nearly three years since the Japanese surrender, ending a war from which China emerged potentially much richer than when she started. There was destruction and dislocation of transportation, but in addition to rehabilitation efforts of private business and industry, the US Government has contributed well over two billion dollars to aid China's recovery. These efforts show little apparent result.

China is now in a worse condition than during the war. Her currency has depreciated in purchasing power. Expenditure of the State is about three times more than the expected revenue. Her production facilities are only partially in operation due to restrictive measures of the Government, the high cost of operation, labour troubles, and the disruption of transportation.

Above all, the people have lost the spirit and incentive exhibited during the war and the Government has thus lost the confidence of the majority of the people and the help they can offer.

The economic life of the country is reflected in the commercial activity of Shanghai. Business in this city has been in a period of relative stagnation for the past four months, with the exception of a small flurry following the promulgation of new exchange regulations. More and more controls are instituted by the authorities even though they have so far been unsuccessful in controlling the prices of China's staple commodity—rice. These controls aggravate conditions by trying to eliminate the result but not the cause.

Many of China's difficulties can be attributed to the Civil War. The greatest of these is an overly large, inefficient military organization which is a tremendous burden on government finances.

The Communists appear to be winning the Civil War and they are doing so partially because of the economic and political blunders of the Government in Nanking. Recently, there have been a number of anti-US demonstrations by students throughout China. It has been suggested that these demonstrations have the approval of some quarters of the Government to remove political pressure from Nanking by directing attention elsewhere. Whether this is true or whether the demonstrations were fostered by Communist elements is immaterial; the activities were well planned and certainly aided the Communist campaign. Recently, there has cropped up another wave of labour troubles in Shanghai which are also attributed to the Communists. These outcroppings of trouble undoubtedly have the support of the Communists because they do embarrass the Government, but they find active reception among the common citizens as a true protest against extremely difficult living conditions.

We must not, however, overlook the great recuperative ability of the Chin-

ese people. Although there is little room for optimism now, the facts that they are persevering, their economy is basically agricultural and their history contains centuries of strife, give some reason for hope in the long run. For the present, we can only hope that the Chinese Government, business and individuals, will change their present self-interested thinking and show some real desire to help the entire country.

FOREIGN TRADE PROBLEMS

On May 31, a partial export-import "link" system was established in China. These new regulations affect only the handling of foreign exchange; import and export regulations otherwise remain unchanged. Although the new system is far from ideal, it has tended to put the exporters' monetary problems on a slightly more realistic basis.

Cotton, wheat, rice, flour, fertilizer, and coal are excluded from this regulation and will be provided with government foreign exchange at the Exchange Stabilization Committee rate as during the next 12 to 15 months these items will be for the most part furnished under the ECA program.

Today, the exporter operates on a modified link system: He ships his merchandise from China and all the foreign exchange realized is, as in the past, turned over to the Central Bank of China which pays him in local currency at the unrealistic, official exchange rate. In addition, however, the exporter is given by the Central Bank through an appointed bank, a certificate representing his US dollar exchange which he is allowed to sell in the free market to an importer who must use this certificate for all merchandise brought into China, with the exception of the commodities mentioned above. The importer, of course, must first obtain an import license and purchase foreign exchange at the official rate as well as buy these exchange certificates.

Up to the present, the conditions of the exporter have not improved to the extent hoped for. In theory, this regulation was to provide a much-needed impetus to dwindling exports by having imports pay for the difference between the proceeds of the sale of export foreign exchange at the official rate and the market price for export goods which tend to follow the basis of the blackmarket exchange rate.

Producers and dealers in China today sell commodities only when they can replace their sales with the necessities of life, or new goods, respectively, and the price level of these in general stay close to the blackmarket rate, not necessarily because of any interrelation but because they both reflect the diminishing confidence in the National Currency.

The weaknesses of this effort to give the exporter a chance to get a realistic return for his produce are:

(1) that the value of the exchange received at the official rate plus the value of the exchange certificate is still

only about 60 percent of the blackmarket rate;

(2) when imports and exports are linked, it is obvious that a limitation in imports will produce the same limitation in exports.

An increase in imports would increase the supply of goods and with a stabilizing effect. A boom in exports would likewise tend to increase production—the most vital factor in stabilizing prices of domestic produce. This is precisely what China needs.

Importers in general have some individual problems for which no solution has been found in the last two years. One of these problems is the inability to anticipate the issuance of import licenses. The lack of regularity precludes the possibility of planning operations, and since importers must work on the replacement of their stocks, business proceeds by spurts. Further, the restricted volume demands that prices be increased to cover the cost of operation. A third problem presents itself in trying to protect any surplus funds which might accrue, as Chinese National dollars held idle devalue rapidly. These funds are not necessarily profits as they might be necessary to cover the cost of later operations, but there is no legitimate, satisfactory hedge to protect these funds. There is, of course, the purchase of real estate for which prices are greatly inflated, and there is also the local stock market. However, these are not secure and there is certainly an extremely high risk involved.

FINANCIAL PROBLEMS

The banks now quote two rates; one for the purchase and sale of exchange and the other for the purchase or sale of certificates. The first day rates were quoted for certificates was June 2. This rate was CNC\$360,000 to US\$1. The rate has risen to CNC\$3 million at present.

The importance of these transactions, as far as the banks are concerned, lies in the fact that they furnish the banks with an additional source of income and not an increased volume of business.

Overseas remittances have always played an important part in China's economic structure. They were an important source of foreign exchange. Since the war, however, because of the difference between the official rate and the blackmarket rate, remittances through official sources have fallen off almost to nothing. While the use of Exchange Surrender Certificates has increased the composite rate for remittances a little over three times, it is still approximately only 50 percent of the blackmarket rate. Therefore, the introduction of these certificates will not increase the amount of overseas remittances.

With the widely and constantly unbalanced national budget, and with the influx to Shanghai and Canton of large amounts of flight capital from the northern war zones, the blackmarket receives stimulus, as no one wishes to remain holder of currency which can depreciate as much as 30 percent in one day. In the frantic search of cover, all inward remittances are diverted to the blackmarket to make the most of

the gap between the new "composite" rate and the blackmarket rate. The recipients of Chinese National dollars then must invest in commodities or shares to slow the pace of their loss. This tremendous velocity of money is to blame, along with short supplies, for the rising living cost—above and beyond the numerical rise engendered by the inflation.

Another question which is extremely important is whether, when the presently accumulated supplies of exports have all been shipped, new supplies can be obtained readily at the export centers at a cost low enough to allow their competition in world markets. Without a steady outflow of exports, there will never be enough foreign exchange to link to imports, and the hope of adjusting the adverse balance of trade and of payments will again have to be postponed.

INSURANCE PROBLEMS

There have been many new and interesting developments in the insurance market in China in the recent past. It had been rumoured for some time that the Central Trust of China would open a marine insurance office in the United States. This rumour has now become actuality, and the Central Trust of China, United States Insurance Branch, was officially opened in New York on May 6, 1948. It is believed that this new branch will write all classes of marine insurance in the currencies normally used in international trade. It is too early yet to say positively what effect this will have upon the transaction of private insurance business in China. It is possible that this Insurance Branch may become another monopolistic government enterprise, the like of which is growing more and more familiar to Americans abroad.

The matter of the deterioration of coastwise and river transportation facilities from the insurance standpoint grows steadily worse. In the past few months there have been many mysterious strandings and, in one case, the total disappearance of a large coastal vessel. Aids to navigation north of the mouth of the Yangtze River are in serious disrepair. Commandeering of privately owned vessels by the military is on the increase. This constitutes a very serious threat to the cargo on board the vessel at the time of pre-emption and is a constant hazard in the underwriting of all coastal and river insurance. South of the mouth of the Yangtze River, shipping conditions are generally better. Aids to navigation are somewhat better maintained and shipping companies are inclined to use their best vessels in this trade. On the other hand, the alarming increase of piracy on the South China coast is a matter of serious concern to underwriters, cargo owners, and ship owners alike. Piracy in South China is not confined as before to small vessels and junks, but is now extended to a highly organized trade involving the use of mines and machine guns which have enabled pirates to capture and rob even large ocean-going vessels. The various garrison commands and provincial officials in Kwangtung Province are making efforts to control this menace to trade

with some success, inasmuch as the gang which was mining the Pearl River seems, for the moment at least, to have been eliminated from their nefarious trade.

Ocean cargo shipments to and from China generally have fared far better than coastwise or river shipments. The incidents of theft and pilferage on both export and import cargo have slowed considerably. This is probably due to the fact that exports are largely confined to bulk commodities not of high value in the local market. Imports are restricted by the import regulations to capital goods and raw materials not easily pilfered. Underwriting results on this class of business have therefore been above average.

The fire insurance market since the war has produced very favourable results for all underwriters. It can be reasonably assumed that losses have in the postwar years not run higher than 20 percent of net premium income. This is unusual in the light of prewar fire loss experience which was consistently poor. When it is realized that Shanghai's population has doubled in the last 10 years, that its water supply is at present inadequate, and water pressure at fire hydrants in many cases almost nil, the present loss experience becomes the more remarkable. It is assumed by most underwriters that the reason for this phenomenal situation is that the inflation of local currency has made it very unprofitable to have a fire, and property owners and godown keepers alike have taken extraordinary care in the protection of their cargo and property. On the other hand, the same cannot be said for the public protection which is provided to property owners and individuals in Shanghai. The regulations concerning new buildings are either ignored or evaded, with the result that throughout the city there are matchsheds and other highly inflammable structures in close proximity to godowns, dwellings, factories and other properties.

Another feature which makes the situation extraordinarily dangerous is the lack of control of the storage of hazardous materials throughout the city. Relatively few warehouses and godowns are registered as non-hazardous. Most of them are public godowns which permit the storage of all types of merchandise and until recently few attempts were made either by godown keepers or by the public authorities to prevent the storage of hazardous materials in places where lives and property were seriously endangered by their presence. With particular regard to the storage of hazardous goods, the so-called gasoline shortage has proven a golden opportunity to the thousands of small commodity speculators. Tins, drums, and bottles of gasoline are kept wherever convenient throughout the city, and constitute one of the elements required for a catastrophic loss. That such a loss has not happened yet, is amazing to most underwriters.

With conditions, both economic and political, deteriorating as rapidly as they appear to be, most underwriters are proceeding in the insurance business in a very cautious manner. Large risks of any sort which are confined to China are being reinsured to a point that underwriters will not suffer seri-

ously in the event of any large single loss. It is safe to say that the entire insurance market is somewhat dubious about the prospects of the immediate future.

LABOUR PROBLEMS OF INDUSTRY

The authorities have maintained a constant menace to manufacturing companies through the promulgation of utopian and extreme labour laws for China. The enforcement of these laws, if carried out, would not only be a burden to any enterprise but would render production almost impossible.

Fortunately there has been no strict enforcement of these laws to date, and it remains for each company to bargain with the Municipal Authorities for the best possible compromise and terms. However, this breeds many chances for discrimination.

At this time, wages do not present many problems since labour is generally paid on a base rate multiplied by a cost of living adjustment which is fixed by the Municipal Authorities twice a month. For example, in Shanghai a worker may have a fixed basic wage of CNC\$30 per month. On June 30, 1947 the Municipal Authorities fixed this index rate at 250,000 times while the rate fixed on June 30, 1948 was 710,000, an increase of 110 percent over May 1948.

SHIPPING PROBLEMS

The present day picture of cargo movement to and from China is extremely dismal and little improvement is indicated in the coming year.

However, the movement of passengers in and out of Shanghai fill all available vessels that offer passenger space. Although this passenger movement has dropped somewhat from the heavy flow of the early post-war days, passenger space is still very difficult to obtain, whether of the six-in-a-cabin troop transport type or in one of the new luxury liners of the President Cleveland type. Through the utilization of these war-time troop transports and with the assistance of freighters with a limited amount of passenger accommodations all steamship lines during 1945 moved 5,500 persons into Shanghai and 8,500 people out of Shanghai. During 1947, 8,500 were brought in and 16,000 were moved out.

There are 15 competing steamship lines operating from Shanghai to the Pacific Coast of the United States. Three of these lines are American and the balance are foreign flag lines. Out of 17 lines operating to the East Coast of the United States, five fly the American flag. With business conditions as they are now, the two larger American lines operating via Shanghai could easily handle all the export cargo from this port. This makes competition for what cargo there is extremely keen. During the first four months of 1948, a total of 32,919 tons of cargo was moved from Shanghai to the United States. American flag vessels carried 19,626 tons of this cargo.

The total tonnage of import shipping is considerably heavier than that of export. However, China's government restrictions are continuously aimed at cutting down imports in a futile at-

PURPOSES AND EFFECTS OF UNITED STATES AID TO CHINA

In view of the inclusion of China under the Foreign Assistance Act of 1948, an act otherwise restricted to Europe, a review of the purposes of the 463 million US dollar authorization for China may be appropriate.

In the first place, it clearly is anticipated that the forthcoming aid will contribute to the rehabilitation of the Chinese economy only to a limited extent. President Truman, in recommending on February 18 that Congress authorize a China-aid program, indicated that he regarded the program as no more than an effort to combat further economic deterioration. He stated that since General Marshall's return, "we have hoped for conditions in China that would make possible the effective and constructive use of American assistance in reconstruction and rehabilitation. Conditions have not developed as we had hoped, and we can only do what is feasible under circumstances as they exist. We can assist in retarding the current economic deterioration and thus give the Chinese Government a further opportunity to initiate the measures necessary to the establishment of more stable economic conditions."

That the aid was approved without any belief that it would contribute materially to economic recovery in China was also clearly reflected in the Senate Foreign Relations Committee's report on the program, which pointed out that "some of the basic ingredients for recovery and cooperative effort, which in a short time might respond to American aid, do not exist in the project for China. But...the committee believes it is sufficient to encourage the constructive, democratic elements in China to 'carry on'."

In the introductory clause of the act itself, the emphasis is upon the international implications of a Communist victory in China in these days of political tension, and the consequent desire for the administrative integrity of China under a democratic government.

Three Purposes of the China Aid Program

The actual purposes of the act are three. In the first place, it seeks to lend moral support to the Chinese Government in its civil war, on the assumption that a Communist victory would draw China into the Russian orbit. In addition, the act provides for tangible assistance to the Chinese Government in the form of military supplies. Finally, it will furnish some

consumer goods and a small amount of industrial machinery in an effort to retard the rapid economic deterioration, and so provide a breathing space in which the Chinese Government may initiate steps toward stability.

The larger part of the assistance authorized for China under the act consists of 338 million dollars to be handled by the Economic Cooperation Administrator. About this sum the Senate Committee stated "that in view of the financial situation of the National Government it is probable that the great proportion of the assistance contemplated in this bill will have to be advanced in the form of grants," rather than loans.

The second part comprises 125 million dollars in outright grants for which the President, rather than the Economic Coordination Administrator, will be responsible. Although the use to be made of this 125 million is not explicitly indicated in the act, the Senate Committee report states that "in view of the Chinese requirements for military supplies, it may be assumed that the Chinese Government, on its own option and responsibility, would seek this grant for such supplies."

Allocation of US\$

60 million dollars are earmarked by the State Department for key reconstruction projects. 278 million dollars are allocated about 60 per cent for wheat, rice, cotton, and fertilizer, about 6 per cent for tobacco and pharmaceuticals, 21 per cent for petroleum, 5 per cent for metals and coal, and about 6 per cent for replacement parts for capital equipment.

The urgent reconstruction projects to be financed with the 60 million dollars include the building of an electric generating plant in Shanghai to replace part of the generating capacity destroyed by the Japanese, the rehabilitation of the Hankow-Canton-Kowloon railroad, and the mechanization of four coal mines to serve central and southern China—areas that have heretofore obtained most of their coal from North China and Manchuria. A good part of the other import needs, especially cereals, cotton, tobacco, and coal, arise primarily from the interruption by the civil war of the normal trade of North China and Manchuria (the usual sources of a large part of these commodities) with the coastal cities. It is in these cities, rather than the interior of China, that most of the food and other commodities are to be distributed.

US Assistance

The new aid is only the latest installment of the assistance that has been flowing from the United States to China since the beginning of the Sino-Japanese War. This assistance will reach, with the current program, a total of more than 3½ billion dollars, as detailed in the table. Nearly 60 per cent of this total, or over 2 billion dollars, has been provided subsequent to V-J Day, since the ending of the war

with Japan brought no letup in the need for foreign aid.

United States Government Aid to China, July 1937-April 1948

Type of aid	Million of dollars
Lend-lease	849.4
Export-Import Bank credits ..	120.0
1942 Congressional credit	500.0
Total pre-V-J Day	1,469.4
Lend-lease (including civilian pipeline credit)	777.6
Export-Import Bank credits ..	82.8
Naval aid	17.7
Surplus property credits (estimated)	222.4
UNRRA (US Sector)	470.5
United States foreign relief program	45.7
United Nations International Children's Emergency Fund ..	2.1
Foreign Assistance Act of 1948 ..	463.0
Total post-V-J Day	2,081.8
Total	3,551.2

Effects of Help

Among the prospective effects on China of the current program, probably the most important are the repercussions on its foreign trade balance. During 1946 and 1947 China incurred import surpluses of 400 million and 300 million dollars, respectively, the decline in 1947 reflecting principally the imposition of import controls. Available figures for the first five months of 1948 indicate a continuation of the downward trend. The twelve months' authorization of 278 million dollars for goods primarily for current consumption thus would probably cover the nonmilitary import deficit for one year. This would leave for the government's expenditures on foreign military supplies its remaining foreign exchange holdings, which totaled 274 million dollars at the end of 1947, plus any additional accruals from overseas remittances.

Internally, the Chinese economy will benefit from the forthcoming assistance to the extent that sale of the imported commodities drains off some of the excess currency in circulation.

LIFTING OF EXCHANGE CONTROL OVER TEAK WOOD IN SIAM

The recent lifting of exchange control over teak wood export bills was done to encourage Siam's teak exporters to compete with Burma for overseas markets. Previously it was required that exporters sell half of foreign currency secured by the sale of teak to the Bank of Siam at the official exchange rate (which is about half the open market rate). The lifting of the control followed difficulties encountered in selling Siamese teak in competition with Burmese teak, particularly in the British Empire. Burma has the advantage of importing teak duty free into British territories while Siamese teak is subject to duty.

tempt to obtain something close to a stable trade balance that might help to curb China's runaway inflation.

The present China Relief Program will cause a temporary increase in the movement of freight. This spurt will not last long. China needs a great deal more than temporary loans to make the wheels of her world trade machinery roll smoothly.

CHINA'S FAILURE TO HELP HERSELF

The larger part of foreign help extended to the Government of China has been dissipated and conditions today are far worse than after the conclusion of hostilities in the Pacific. All efforts by the United States Government to lead China back on the road of rehabilitation and prosperity have been futile.

The latest American attempt to help China, viz. by granting a new loan or outright gifts, and thus to induce the authorities at Nanking to institute effective reforms and to manage their country in a better way than up to now has aroused deep pessimism in Washington.

On July 3, an agreement between the U.S. and the Chinese Govt was signed in Nanking which stipulates the procedures for the allocation of American supplies and monetary appropriations under the US\$ 463 million loan or grant. In this agreement several significant stipulations are found which impose upon the Chinese Government clearly defined duties.

In the preamble to the July 3 agreement it is stated, *inter alia*, that "it is the policy of the Govt of China to undertake a vigorous program of self help in order to create more stable economic conditions and to improve commercial relations with other countries."

In Article II it is, *inter alia*, provided that the Chinese Govt. will have

to institute measures to obtain the private Chinese assets now hoarded in the U.S.,

To initiate and maintain financial, monetary, budgetary and administrative measures necessary for the creation of more stable currency conditions and for the promotion of production and marketing of goods for domestic consumption and export; and

To cooperate with other countries in facilitating and stimulating an increasing interchange of goods and services with other countries and in reducing public and private barriers to trade with other countries.

In Article III the two contracting partners found it necessary to emphasize two matters which appear obvious to all business men, viz.

that the Government of China undertakes to make all practicable efforts to improve commercial relations with other countries, including measures to improve the conditions affecting the carrying on of foreign trade by private enterprises in China;

and that the Chinese Govt. will administer import and exchange controls "in a uniform, fair and equitable manner."

The Duty of the Chinese People to take an active interest in the reform of the Government of the Country

The Chinese Government has been kicked around so often that it is now one of the most popular parlor games to blame everything on the Government and its officials. To a large extent, this is justified.

The Chinese Government, as it is now constituted, is no shiny example of efficiency, honesty, and dynamic leadership. Malmanagement by its low-grade bureaucracy has undoubtedly been responsible for a large measure of China's confusion and general economic and political breakup.

But there is also another side to the question. The Chinese people—or at least the educated portion of the populace—must certainly be held responsible for actively or passively contributing to the present mess. If guilt must be fixed, we feel that the Chinese people as a whole would have a pretty bad time in trying to talk their way out of the charge of aiding and abetting the Government and the Government officials.

We feel that a people is entitled to as good or as poor a government as it deserves. This is true with China. The fact that China is not getting a better government is the making of the Chinese people themselves and there is no way for them to shirk that responsibility.

Take the formation of the Wong Wen-hao cabinet as an example. We know it for a fact that before Mr. Wong was picked as premier, every attempt was made to get a person of more dynamic qualities who is able to rally around him, at this time of great crisis, the support of all the Chinese people and the friends of China abroad. These attempts failed because no one of a premier's caliber wanted to sacrifice his career, good repute and his political future in what was patently a hopeless job. As a result, Mr. Wong was selected to fill a post which no other Chinese of a similar national and international reputation would take.

It is customary today to say that Mr. Wong is the head of a do-nothing cabinet. We feel, however, that he has been doing the best job according to his own capabilities and the existing circumstances. That he is in the job at all was due to the fact that no other person wanted the post. He is, in effect, the choice of the Chinese people after an elimination process.

Take again as an example the unsightly exhibition which accompanied Premier Wong's effort to pick some of the key members of his cabinet. There was the usual politics, to be sure. But there was also an honest attempt to get good men to fill some of the

important cabinet positions, the work and the policies of which would have a telling effect in meeting the crisis.

It seemed that everybody in Nanking and Shanghai who possessed the desired qualifications had decided among themselves that they would not do anything for their country except to watch it sink. Some wanted to stay abroad. Others refused flatly. As a result, Mr. Wong after the most prolonged and painful process of cabinet formation, finally managed to fill the cabinet posts with the old-line Nanking politicians.

The charge today is that the Government is not changed in essence and that the same old faces have merely switched places in a not-too-thorough reshuffle. Actually this is again the result of what the Chinese people have chosen. Qualified men, by refusing to participate in the Government, have inevitably made the Government what it is today.

We can think of a number of Shanghai businessmen, financiers, lawyers and doctors whose honesty, ability and dynamic leadership would make them good officials of the Government. Most of these men were at one time or another asked to join the government, but the standard answer had always been "No." As long as this type of civic mentality exists, China can never expect to have a good government.

The plea of these "stay-outers" often sounds logical and righteous. They say that the government is corrupt and they won't want to be contaminated. They say that everything is tightly controlled from the top so that no man could ever be expected to do very much through his own initiative and hard work. They say that the present bureaucracy is so thoroughly rotten and inefficient that they couldn't possibly achieve any results.

To us these are only alibis for quitters. These excuses just show that the educated leaders of this country have no desire and no courage to get into the midst of corruption and inefficient bureaucracy and fight for reforms. If this back-sliding continues, China will never get reforms unless they were given to her on a silver platter.

In many ways, the lack of an urge to take civic responsibilities is the result of generations of Chinese education in which the sons have always been taught by mothers to "be smart" and to mind one's own business. It is also the result of the Confucian conception of a superior man and this conception looks upon a person who refuses official position as lily-white in character.

It is this unconscious training which prompts many Chinese to treat government work with disdain. This disdain sharpens into abhorrence in time of great crisis like these. It's much smarter to stay out of the government and criticize than to get in it and become the target of criticism. We confess that it is not a soul-elevating experience to watch a sinking ship being shamelessly deserted.

HONGKONG INDUSTRIAL REPORTS

Rubber Goods Industry

The local rubber goods industry enjoyed prewar prosperity mainly on account of large exports of rubber shoes to the United Kingdom; as a rule, an order from England exceeded 100,000 dozens of rubber shoes each time. However, during the Japanese occupation, the majority of rubber shoes factories had to cease operation and though some larger factories later were resuming business their combined production was insignificant.

Despite the shortage of raw materials (raw rubber, chemicals, canvas) prosperous business was done by most factories during the first year after the termination of war. This was due to the large requirements in Far Eastern markets and in China where exports were then not restricted. The demand for rubber products in the Philippines was particularly strong in 1946 but last year decreased as a consequence of new rubber factories having been established there.

About 60 large and small rubber factories are in existence in Hongkong but this number has recently been reduced as a result of the slump in business. The present production has already attained the prewar level and the daily output of the larger factories exceeds 10,000 pairs of rubber shoes. In most factories, about 80% of the total number of workers are females.

There are alternating a distinct period of prosperity followed by a period of slump in the local rubber industry. The former period last usually from October to February/March the next year as exports to Britain are usually effected at this time of the year, which comprise rubber shoes (for playing tennis) and rubber boots. The period of slump falls between February/March to October and the following articles are then manufactured:—rain shoes, (galoshes), rain boots, rubber bands and rubber slippers. In addition to the above, smaller quantities of inner rubber tyres for bicycles,

rubber hoses and rubber balls are also manufactured locally.

According to the existing import regulations in the U.K. imports of manufactured goods enjoy a special reduction of duty under the condition that 60% of the raw materials used in the manufactured articles originated in the Empire. In order to take advantage of this preferential treatment local manufacturers use Malayan raw rubber as local exports are chiefly directed to Britain. Exporters' claims as to the qualification of an article enjoying Imperial Preferences must be substantiated by certificates from both the producer of raw rubber and the Custom in the country of origin. As regards local rubber shoes some chemicals are obtained from the U.S. while usually the inner cloth lining of rubber canvas shoes are Chinese products.

In the larger factories like Fung Keung and Wah Keung over 10 machines for the manufacture of rubber soles are being used.

Hongkong branch factories in Singapore and the Philippines

Having been hampered by import restrictions in Far Eastern countries local manufacturers have established branches overseas in order to continue the sale of their products. Singapore and Philippines are considered the most suitable sites for branch factories. A new factory has recently been founded in Singapore by the local firm of Fung Keung involving an investment of \$2,000,000. Preparations are being made for the large scale production of motor car tyres. In consequence of the import restriction on rubber shoes in the Philippines, branch factories are to be opened there by several rubber manufacturers of Hongkong.

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Manufacture of Candy, Biscuits, Bread & Cakes

From the industrial point of view, the manufactures of Candy, Biscuits, Cakes and Bread are closely related and therefore the major confectioners in Hong Kong (On Lok Yuen, M.P. San, Garden Co., Chun Hing) are operating these four lines simultaneously.

Before the outbreak of the War, there were operating in the Colony 700 manufacturers; over 4,000 workers were employed when business was at its height. After the termination of hostilities, about 500 big and small factories and bakeries were able to resume business but conditions for the small firms declined after May-June 1947 when the total number in operation was about 300 with 1,500 male and female workers.

Candy Manufacture

400 different kinds of candy are being made locally. They can be classified into five types:—(1) Toffee and Nugs (2) Chocolate (3) Fruit Drops (4) Hard Candy (5) Chewing Gum. Among the major confectioners, only On Lok Yuen and M.P. San are able to produce all five kinds.

Most of the exports of candy went to China during pre-war days, mainly to Shanghai, Hankow, Canton, Changsha etc., and the monthly consumption in these areas was 5,000 large size cases (1 large size case contains 460 pounds and 1 small size case contains 360 pounds). However the recent demand in these Chinese cities is about 1,000 cases. At present there are also good markets in Singapore, Manila, Saigon and Bangkok and the monthly export to these countries exceeds 3,000 cases. As the cost of labour and materials (like eggs and sugar) of locally made candy are low, their price can compete with those from the U.S.

About 70 candy factories are now in operation which give employment to over 400 skilled male labourers and between 500 to 700 unskilled female workers.

Biscuit Manufacture

There are few factories which make biscuits only as the majority of bakeries also produce confection. The monthly export is about 250,000 pounds which is equivalent to the quantity consumed locally during the same period. Though the profit derived is good, about 20%, workers in this line are usually underpaid, and a skilled labourer receives only \$130 per month.

Bread and Cake Making

At present, 140 bakeries are in operation which produce cakes (European style) at the same time. About 700 bakers are being employed, absorbing 2,000 sacks of flour daily.

Ever since the end of last year when the price of flour was raised with the price of rice dropping, the demand for bread by the poorer classes as a substitute for rice had decreased considerably and several smaller factories had closed shop as a consequence.

The demand for European style cakes by Cafes, Restaurants, Coffee Stalls is large and still on the increase with about 100,000 pieces being required daily. The wholesale profit averages 50% whereas the retail profit often reaches 100%. An experienced baker in this line receives a wage of only \$150 to 200 monthly.

We feel that the expression of self-help should carry a much more personal meaning than is being given to it at the present moment. It does not mean only that the Chinese Government as such must do something to help China. It means actually that every Chinese must get in there and slug without regard to personal success or failure. Until this new mentality is established, there can be no hope for China. Few Chinese acutely realize that their own house is on fire. Unless they can do their own share—however small or big—to help put out the blaze, their own home will inevitably be razed.

Editorial in the American-owned SHANGHAI EVENING POST & MERCURY.